

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Huron County	County Huron
Fiscal Year End 12/31/05	Opinion Date 5/25/06	Date Audit Report Submitted to State 06/26/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

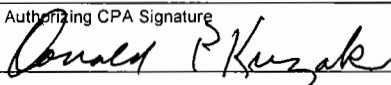
YES
☒

☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	To be forwarded	
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Report	
Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P. C.		Telephone Number 989-269-9541	
Street Address 1242 Sand Beach Road		City Bad Axe	State MI
		Zip 48413	
Authorizing CPA Signature 	Printed Name Donald P. Kuzak		License Number 1101007059

**HURON COUNTY
BAD AXE, MICHIGAN**

**FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005**

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road
P.O. Box 326
Bad Axe, MI 48413-0326

Bruce Hill
Donald Kuzak
Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
of Huron County
Bad Axe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Huron County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following funds and component units included in the basic financial statements of Huron County.

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	6.71%	28.80%
Huron Transit Funds	Business type activities	17.86%	13.06%
Discretely presented:			
Road Commission	Component units	50.82%	58.43%
Drain Funds	Component units	11.30%	32.35%
Huron Behavioral Health	Component units	35.75%	4.54%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued a report dated May 25, 2006, on our consideration of Huron County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards**, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11, schedule of funding progress and budgetary comparison on pages 65 through 74 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huron County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hyzer, Hill, Kuzak & Co. P.C.

Certified Public Accountants

May 25, 2006

As management of the County of Huron, Michigan, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets of the County exceeded its liabilities by \$32,361,907 at December 31, 2005. This includes \$16,404,283 which may be used to meet the County's ongoing obligations to citizens and creditors. The total net assets increased by approximately \$2,548,000 due in part to the accelerated recognition of property tax revenues as mandated by Public Act 357 of 2004.
- The general fund experienced a \$400,000 surplus for the year which reversed the trend of net deficits over the past seven years.
- The County's total debt decreased by \$1,428,401 during 2005.
- The Board of Commissioner's adopted the General Fund's 2006 budget. The budget was balanced with no appropriation from fund balance.

Overview of the Financial Statements

The County's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, economic development and recreation and cultural. The business type activities of the County include the Medical Care Facility, Sheriff's Commissary, Huron Transit and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the primary government) but also the following legally separate entities for which the County is financially accountable: Huron Behavioral Health Authority, Road Commission, Drain Commission projects, Department of Public Works and Economic Development Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12 - 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 27 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance for the General Fund, Health Department Fund, Primary Road Fund, and Revenue Reserve Fund all of which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

Proprietary funds. Proprietary funds use the accrual basis of accounting, which is the same basis used by the private sector. The County maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Medical Care Facility, Huron Transit, Delinquent Tax Revolving, and Sheriff's Commissary funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its various employee benefits and risk programs.

Because these services predominately benefit governmental rather than business type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Medical Care Facility, Huron Transit and Delinquent Tax Revolving Fund, all of which are considered to be major funds of the County. Individual fund data for the one nonmajor Enterprise Fund is provided in the form of combining statements elsewhere in this report. The County's two Internal Service Funds are presented in the proprietary fund financial statements in the Governmental Activities Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 19 - 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The largest of the Fiduciary Funds is the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and the budgetary information for the four major governmental funds. This required supplementary information can be found on pages 65 - 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental, enterprise and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 75 - 158 on this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$32,361,907 at December 31, 2005.

Approximately 51% of the County's net assets are unrestricted and available for future obligations. The largest portion of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (approximately 1.2%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Current and other assets	\$ 13,949,582	\$ 13,219,077	\$ 12,094,326	\$ 12,605,319	\$ 26,043,908	\$ 25,824,396
Capital assets, net of accumulated depreciation	12,162,048	12,411,423	5,184,343	5,293,786	17,346,391	17,705,209
Total assets	26,111,630	25,630,500	17,278,669	17,899,105	43,390,299	43,529,605
Liabilities:						
Current liabilities	6,739,432	8,221,960	1,943,253	2,837,933	8,682,685	11,059,893
Other liabilities	1,756,871	1,878,993	588,836	777,165	2,345,707	2,656,158
Total liabilities	8,496,303	10,100,953	2,532,089	3,615,098	11,028,392	13,716,051
Net assets:						
Investment in capital assets net of related liabilities	11,161,603	11,159,665	4,407,178	4,341,806	15,568,781	15,501,471
Restricted	61,736	165,006	327,107	334,745	388,843	499,751
Unrestricted	6,391,988	4,204,876	10,012,295	9,607,456	16,404,283	13,812,332
Total net assets	\$ 17,615,327	\$ 15,529,547	\$ 14,746,580	\$ 14,284,007	\$ 32,361,907	\$ 29,813,554

Management's Discussion and Analysis
December 31, 2005
(Continued)

The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues						
Charges for services	\$ 5,925,304	\$ 5,776,412	\$ 7,743,704	\$ 7,500,481	\$ 13,669,008	\$ 13,276,893
Grants and contributions	3,082,012	2,935,863	1,192,677	951,016	4,274,689	3,886,879
General revenues						
Property taxes	9,515,155	9,307,680	939,374	907,505	10,454,529	10,215,185
Intergovernmental revenues	146,019	352,773	139,396	174,479	285,415	527,252
Investment earnings	222,626	92,028	235,213	124,068	457,839	216,096
Other revenues	39,181	13,883	494,660	443,350	533,841	457,233
Total revenues	18,930,297	18,478,639	10,745,024	10,100,899	29,675,321	28,579,538
Expenses:						
Legislative	247,060	253,104	-	-	247,060	253,104
Judicial	1,823,388	1,873,716	-	-	1,823,388	1,873,716
General governmental	2,588,413	2,538,079	-	-	2,588,413	2,538,079
Public safety	4,816,656	4,703,331	-	-	4,816,656	4,703,331
Public works	486,927	464,688	-	-	486,927	464,688
Health and welfare	3,837,634	3,774,544	-	-	3,837,634	3,774,544
Economic development	375,030	124,224	-	-	375,030	124,224
Recreation and cultural	1,100,502	1,022,787	-	-	1,100,502	1,022,787
Other activities	2,023,702	1,901,590	-	-	2,023,702	1,901,590
Interest on debt service	40,983	50,643	-	-	40,983	50,643
Medical care facility	-	-	7,862,206	7,449,848	7,862,206	7,449,848
Huron transit	-	-	1,788,181	1,809,065	1,788,181	1,809,065
Delinquent tax revolving	-	-	130,142	142,336	130,142	142,336
Commissary	-	-	41,043	39,974	41,043	39,974
Total expenses	17,340,295	16,706,706	9,821,572	9,441,223	27,161,867	26,147,929
Increase in net assets before transfers and other items	1,590,002	1,771,933	923,452	659,676	2,513,454	2,431,609
Sale of easement/land	42,192	128,046	-	-	42,192	128,046
Transfers	453,586	301,280	(460,879)	(304,813)	(7,293)	(3,533)
Increase in net assets	2,085,780	2,201,259	462,573	354,863	2,548,353	2,556,122
Net assets, beginning of year	15,529,547	13,328,288	14,284,007	13,929,144	29,813,554	27,257,432
Net assets, end of year	\$ 17,615,327	\$ 15,529,547	\$ 14,746,580	\$ 14,284,007	\$ 32,361,907	\$ 29,813,554

Governmental activities. Governmental activities increased the County's net assets by \$2.1 million, accounting for 82% of the total growth in the net assets of the County. Key elements of this increase are as follows:

- \$1.3 million of this gain was caused by the acceleration of operating property tax revenue pursuant to Public Act 357 of 2004 that required the County to establish a restricted fund, the Revenue Sharing Reserve Fund, and place one-third of the County's December 2005 property tax levy in the fund. After December 2006, a total of three payments will be in the fund to provide a funding mechanism which will replace state revenue sharing payments. The general fund also had an increase in operating transfers from business activities.
- Investment income earnings increased due to higher interest rates and improved investment strategy.
- Expenses remained relatively stable except for increased spending for homeland security and housing rehabilitation programs which were financed by federal funding.

Business type activities. Business type activities increased the County's net assets by \$463,000. Key elements of the current year increase are as follows:

- Medical Care Facility net assets increased by \$439,000 and Huron Transit operations added \$49,000. Delinquent tax revolving funds decreased by \$28,000 due to higher operating transfers to the General Fund.

Financial Analysis of the County's Funds

As noted earlier, the Huron County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the County's governmental funds reported combined ending fund balances of \$6,345,147, an increase of \$1,690,913 in comparison with the prior year. Of the fund balance amount \$6,066,411 constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2005, unreserved fund balance of the general fund was \$712,186, while total fund balance was \$929,186. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 6.7% of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$409,926 during the current fiscal year. This is primarily attributed to increased charges for services of \$69,000 due to increased fees and activity, increased investment income of \$65,000 as a result of higher interest rates and improved investment strategy and an increase in transfers from the revenue reserve fund of \$229,000. Total spending in the General Fund decreased \$5,000 due to spending restraints.

The fund balance of the Health Department fund decreased by \$53,059 during 2005 to a balance of \$596,373.

The Primary Road fund had a total fund balance of \$6,584, which decreased by \$11,121 in the current year. The decrease in fund balance is attributable to road spending in excess of tax revenues.

The Revenue Reserve fund had a total fund balance of \$2,852,036. This fund, which was new in 2004, is mandated by the State of Michigan and accounts for accelerated property tax collections to serve as a substitute for state revenue sharing payments. Three annual payments, each equal to one-third of the annual property tax levy, must be placed in the fund. In late 2004 and continuing until the fund balance is exhausted, the County will be able to draw monies from this fund equal to fiscal 2004 state revenue sharing payments adjusted for inflation.

Nonmajor governmental funds had an increase in fund balance of \$23,000.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Medical Care Facility and Huron Transit funds increased by \$403,839 and \$48,892, respectively, while the Delinquent Tax Revolving fund had a decrease in net assets of \$28,235.

Internal service funds experienced an increase in net assets of \$372,726 due to favorable claims expense in the workers' compensation and fringe benefit funds.

General fund budgetary highlights

Changes to original budget

General fund revenues increased by \$46,000 from the original to the final budget. The increase included a \$198,000 increase in federal grants for homeland security. State grants were reduced by \$634,000 due to the replacement of state revenue sharing with transfers from the revenue sharing reserve fund. There were also increases in charges for services of \$348,000 due to higher revenues from jail operations generated from boarding outside prisoners, increased zoning and planning fees and other rate increases for services.

Expenditure budgets were increased from original amounts by \$592,000. The largest increases were in public safety, \$244,000, which was due to higher homeland security spending, financed by federal funds and increases in jail operating costs. Other expenditure budgets were increased over original budgets by \$238,000 which was intended to cover unforeseen expenditures. Operating transfers out to other funds increased \$129,000 due largely to increased child care costs of \$120,000.

Overall budget to actual comparison

General fund revenues for the year were \$150,000 lower than final budgeted amounts. The largest decrease was \$118,000 in property taxes due to uncollected summer taxes levied as part of the property tax shift previously discussed.

General fund expenditures were \$515,000 less than final budgeted amounts with the largest decreases of \$288,000 in unused contingency budgets and \$45,000 from jail operations. Several other budget categories were underspent in smaller amounts.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its government activities at December 31, 2005 amounted to \$12,162,048 for governmental activities and \$5,184,343 for business type activities (both net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, drains, etc.). The total decrease in capital assets for the year was 2.0% due to depreciation in excess of current year additions.

Major capital asset improvements during the current fiscal year included the following:

The County's park fund received state grants of \$202,000 which was used to fund property improvements.

Capital Assets (net of depreciation)

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land and improvements	\$ 4,096,364	\$ 3,983,357	\$ 17,500	\$ 17,500	\$ 4,113,864	\$ 4,000,857
Buildings and improvements	6,541,992	6,827,232	4,054,296	4,248,424	10,596,288	11,075,656
Improvements other than buildings	853,805	719,522	-	-	853,805	719,522
Equipment and vehicles	669,887	881,312	1,112,547	1,027,862	1,782,434	1,909,174
Total capital assets	<u>\$ 12,162,048</u>	<u>\$ 12,411,423</u>	<u>\$ 5,184,343</u>	<u>\$ 5,293,786</u>	<u>\$ 17,346,391</u>	<u>\$ 17,705,209</u>

Long-term debt. At the end of the current fiscal year, the County had total bonded debt and notes outstanding of \$1,777,610. This entire amount comprises debt backed by the full faith and credit of the County with the exception of the installment notes.

Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Municipal purchase notes	\$ 940,000	\$ 1,080,000	\$ 777,165	\$ 951,980	\$ 1,717,165	\$ 2,031,980
General obligation bonds	-	130,000	-	-	-	130,000
General obligation limited tax notes	-	-	-	1,002,273	-	1,002,273
Installment loans and lease purchases	60,445	41,758	-	-	60,445	41,758
Total outstanding debt	<u>\$ 1,000,445</u>	<u>\$ 1,251,758</u>	<u>\$ 777,165</u>	<u>\$ 1,954,253</u>	<u>\$ 1,777,610</u>	<u>\$ 3,206,011</u>

The County's total debt decreased by \$1,428,401 (45%) during the current fiscal year.

New debt issued during 2005 included lease purchase agreements in the amount of \$58,000 and delinquent tax notes of \$1,100,000. The new delinquent tax notes were paid off during 2005.

The County has an "A" rating for general obligation bonds and tax notes from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental unit may issue to 10% of its total assessed valuation (State Equalized Value). The County's current debt limitation is \$1,890,926,900 which is significantly in excess of the County's outstanding general obligation debt.

Additional information regarding the County's long-term debt can be found in note H on Pages 50 - 56 of this report.

Economic Factors, Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The County's fringe benefit costs have leveled off, but this trend may not continue. The 2006 budgets have been prepared with 10% increases.
- Property tax revenues for 2006 are budgeted to increase by 7.7% or \$452,000. This results from inflationary growth and a modest amount of new construction.
- The 2006 budget anticipates no requirement to use available fund balance.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Huron County Treasurer's Office at 250 East Huron, Bad Axe, MI 48413.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
December 31, 2005

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	\$ 5,639,803	\$ 6,435,095	\$ 12,074,898	\$ 5,586,890
Investments	1,156,285	2,429,150	3,585,435	6,260,653
Receivables (net of allowance)	7,116,548	2,776,659	9,893,207	21,106,545
Internal balances	(353,550)	269,752	(83,798)	-
Due from primary government	-	-	-	490,878
Inventory	-	55,687	55,687	696,150
Advances	36,433	-	36,433	-
Prepaid expenditures	137,063	127,983	265,046	208,789
Advance to component units	217,000	-	217,000	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	4,096,364	17,500	4,113,864	13,549,649
Assets being depreciated	8,065,684	5,166,843	13,232,527	66,796,926
 Total assets	 \$ 26,111,630	 \$ 17,278,669	 \$ 43,390,299	 \$ 114,696,480
LIABILITIES:				
Payables and accrued liabilities	\$ 995,089	\$ 1,015,374	\$ 2,010,463	\$ 1,236,583
Accrued interest	12,925	-	12,925	124,825
Due to fiduciary funds	824,670	-	824,670	-
Due to component units	490,878	-	490,878	-
Advances from primary government	-	-	-	217,000
Deferred revenue	4,232,963	739,550	4,972,513	13,390,502
Non-current liabilities				
Advance from State	-	-	-	283,195
Due within one year	182,907	188,329	371,236	2,156,918
Due in more than one year	1,756,871	588,836	2,345,707	16,670,809
 Total liabilities	 8,496,303	 2,532,089	 11,028,392	 34,079,832
NET ASSETS:				
Investment in capital assets, net of related liabilities	11,161,603	4,407,178	15,568,781	67,617,896
Net assets				
Restricted				
Capital projects	61,736	-	61,736	167,576
Debt Service	-	-	-	167
Foreclosure	-	242,067	242,067	-
Risk management	-	-	-	16,284
Tax administration	-	85,040	85,040	-
Unrestricted	6,391,988	10,012,295	16,404,283	12,814,725
 Total net assets	 \$ 17,615,327	 \$ 14,746,580	 \$ 32,361,907	 \$ 80,616,648

The accompanying notes are an integral part of these financial statements.

Huron County, Michigan

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Legislative	\$ 247,060	\$ -	\$ -
Judicial	1,823,388	550,536	685,706
General government	2,588,413	969,446	167,014
Public safety	4,816,656	2,198,207	427,274
Public works	486,927	11,368	-
Health and welfare	3,837,634	1,128,022	1,319,887
Economic development	375,030	70,000	279,558
Recreation and cultural	1,100,502	997,725	202,573
Other	2,023,702	-	-
Interest on long term debt	40,983	-	-
Total governmental activities	17,340,295	5,925,304	3,082,012
Business type activities:			
Medical care facility	7,862,206	7,365,327	-
Huron transit	1,788,181	334,386	674,883
Delinquent tax revolving	130,142	-	-
Commissary	41,043	43,991	-
Total business type activities	9,821,572	7,743,704	674,883
Total primary government	27,161,867	13,669,008	3,756,895
Component units:			
Road commission	10,849,514	1,783,768	8,530,980
Department of public works	297,070	281,393	-
Economic development corporation	223,445	106,647	24,366
Huron behavioral health	8,456,078	7,637,939	129,221
Drain commission	1,939,385	-	2,352,395
Total component units	21,765,492	9,809,747	11,036,962
General revenues:			
Taxes			
Grants and contributions not restricted to specific programs			
Unrestricted investment income			
Restricted investment income			
Interest and penalties on delinquent taxes			
Miscellaneous revenues			
Gain on sale of capital assets			
Transfers			
Special Items:			
Sale of land			
Total general revenues, transfers and special items			
Change in net assets			
Net assets, beginning of year			
Net assets, end of year			

The accompanying notes are an integral part of these financial statements.

Statement of Activities
For the Year Ended December 31, 2005

Net (Expense) Revenue and Change in Net Assets				
Capital Grants	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
\$ -	\$ (247,060)	\$ -	\$ (247,060)	\$ -
-	(587,146)	-	(587,146)	-
-	(1,451,953)	-	(1,451,953)	-
-	(2,191,175)	-	(2,191,175)	-
-	(475,559)	-	(475,559)	-
-	(1,389,725)	-	(1,389,725)	-
-	(25,472)	-	(25,472)	-
-	99,796	-	99,796	-
-	(2,023,702)	-	(2,023,702)	-
-	(40,983)	-	(40,983)	-
-	(8,332,979)	-	(8,332,979)	-
-	-	(496,879)	(496,879)	-
517,794	-	(261,118)	(261,118)	-
-	-	(130,142)	(130,142)	-
-	-	2,948	2,948	-
517,794	-	(885,191)	(885,191)	-
517,794	(8,332,979)	(885,191)	(9,218,170)	-
-	-	-	-	(534,766)
-	-	-	-	(15,677)
-	-	-	-	(92,432)
-	-	-	-	(688,918)
-	-	-	-	413,010
-	-	-	-	(918,783)
	9,515,155	939,374	10,454,529	1,062,152
	146,019	139,396	285,415	300,168
	222,626	235,213	457,839	350,368
	-	-	-	2,080
	-	470,207	470,207	-
	20,567	4,777	25,344	39,332
	18,614	19,676	38,290	120,828
	453,586	(460,879)	(7,293)	-
	42,192	-	42,192	-
	10,418,759	1,347,764	11,766,523	1,874,928
	2,085,780	462,573	2,548,353	956,145
	15,529,547	14,284,007	29,813,554	79,660,503
	<u>\$ 17,615,327</u>	<u>\$ 14,746,580</u>	<u>\$ 32,361,907</u>	<u>\$ 80,616,648</u>

The accompanying notes are an integral part of these financial statements.

**Governmental Funds
Balance Sheet
December 31, 2005**

	General	Health Department	Primary Road	Revenue Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$3,429,336	\$ 573,972	\$ 5,961	\$ -	\$1,630,534	\$ 5,639,803
Investments	-	-	-	856,285	300,000	1,156,285
Receivables						
Property taxes	2,491,721	-	1,452,019	1,976,361	290,718	6,210,819
Accounts and interest	90,436	104,361	-	19,390	333,185	547,372
Due from other funds	12,000	9,369	623	-	504,126	526,118
Due from other governmental units	317,938	-	-	-	40,419	358,357
Advance to component units	217,000	-	-	-	-	217,000
Advances	-	-	-	-	36,433	36,433
Total assets	<u>\$6,558,431</u>	<u>\$ 687,702</u>	<u>\$1,458,603</u>	<u>\$2,852,036</u>	<u>\$3,135,415</u>	<u>\$14,692,187</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 87,581	\$ 91,329	\$ -	\$ -	\$ 98,261	\$ 277,171
Accrued liabilities	121,904	-	-	-	19,204	141,108
Due to other funds	2,833,549	-	-	-	12,000	2,845,549
Due to component units	-	-	-	-	490,878	490,878
Due to other governmental units	-	-	-	-	39,000	39,000
Deferred revenue	2,586,211	-	1,452,019	-	515,104	4,553,334
Total liabilities	5,629,245	91,329	1,452,019	-	1,174,447	8,347,040
Fund balances:						
Reserved						
Long-term advance	217,000	-	-	-	-	217,000
Capital projects	-	-	-	-	61,736	61,736
Unreserved						
General fund	712,186	-	-	-	-	712,186
Other funds	-	596,373	6,584	2,852,036	1,899,232	5,354,225
Total fund balances	<u>929,186</u>	<u>596,373</u>	<u>6,584</u>	<u>2,852,036</u>	<u>1,960,968</u>	<u>6,345,147</u>
Total liabilities and fund balances	<u>\$6,558,431</u>	<u>\$ 687,702</u>	<u>\$1,458,603</u>	<u>\$2,852,036</u>	<u>\$3,135,415</u>	<u>\$14,692,187</u>

The accompanying notes are an integral part of these financial statements.

**Reconciliation of Fund Balance on the Balance Sheet for
Governmental Funds to Net Assets of Governmental Activities
on the Statement of Net Assets
December 31, 2005**

Fund balance, total governmental funds		\$ 6,345,147
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets	20,616,189	
Accumulated depreciation	<u>(8,454,141)</u>	12,162,048
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Revolving fund loans	224,134	
Other	<u>94,740</u>	318,874
Internal Service Fund used by management to charge cost of property, liability, health, disability, workers compensation and life insurance expenses and claims. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		741,961
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(940,000)	
Notes payable	(60,445)	
Accrued interest on bonds/notes payable	(12,925)	
Accrued compensated absence	<u>(939,333)</u>	<u>(1,952,703)</u>
Net assets, governmental activities		<u><u>\$ 17,615,327</u></u>

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

	General	Health Department	Primary Roads	Revenue Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,907,034	\$ -	\$ 1,360,306	\$ 1,976,361	\$ 271,454	\$ 9,515,155
Licenses and permits	64,092	180,799	-	-	443,785	688,676
Federal grants	466,531	782,691	-	-	279,558	1,528,780
State grants	926,145	291,620	-	-	448,149	1,665,914
Charges for services	1,984,107	819,565	-	-	993,316	3,796,988
Fines and forfeitures	108,790	-	-	-	4,500	113,290
Interest	123,884	-	13,565	20,939	49,553	207,941
Rents	302,656	-	-	-	1,007,725	1,310,381
Other	70,582	73,919	-	-	80,501	225,002
Total revenues	9,953,821	2,148,594	1,373,871	1,997,300	3,578,541	19,052,127
Expenditures:						
Legislative	210,774	-	-	-	-	210,774
Judicial	1,501,724	-	-	-	44,467	1,546,191
General government	2,163,783	-	-	-	105,279	2,269,062
Public safety	2,911,531	-	-	-	1,156,625	4,068,156
Public works	327,032	-	-	-	111,659	438,691
Health and welfare	278,998	2,478,280	-	-	1,168,934	3,926,212
Economic development	65,800	-	-	-	309,230	375,030
Recreation and cultural	61,598	-	-	-	1,227,795	1,289,393
Other	1,641,391	-	1,384,992	-	391,874	3,418,257
Debt service						
Principal	140,000	-	-	-	131,433	271,433
Interest and fees	37,173	-	-	-	6,620	43,793
Total expenditures	9,339,804	2,478,280	1,384,992	-	4,653,916	17,856,992
Excess of revenues over (under) expenditures	614,017	(329,686)	(11,121)	1,997,300	(1,075,375)	1,195,135
Other financing sources (uses):						
Operating transfers in	1,136,429	276,627	-	-	1,225,862	2,638,918
Operating transfers out	(1,340,520)	-	-	(675,550)	(169,262)	(2,185,332)
Total other financing sources (uses)	(204,091)	276,627	-	(675,550)	1,056,600	453,586
Special items:						
Sale of Easement/Land	-	-	-	-	42,192	42,192
Net change in fund balance	409,926	(53,059)	(11,121)	1,321,750	23,417	1,690,913
Fund balance, beginning of year	519,260	649,432	17,705	1,530,286	1,937,551	4,654,234
Fund balance, end of year	\$ 929,186	\$ 596,373	\$ 6,584	\$ 2,852,036	\$ 1,960,968	\$ 6,345,147

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
December 31, 2005**

Net change in fund balances, total governmental funds		\$ 1,690,913
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	431,800	
Depreciation expense	<u>(681,175)</u>	(249,375)
Revenue in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.		75,792
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments on long term liabilities, net of new debt		251,313
<p>Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities.</p>		
		337,597
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Decrease in accrued interest payable	2,810	
Increase in accrued compensated absences	<u>(23,270)</u>	<u>(20,460)</u>
Change in net assets, governmental activities		<u><u>\$ 2,085,780</u></u>

Proprietary Funds
Statement of Net Assets
December 31, 2005

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Assets:						
Current assets:						
Cash and cash equivalents	\$ 3,239,287	\$ 721,683	\$ 1,603,140	\$ -	\$ 5,564,110	\$ -
Investments	804,378	-	1,624,772	-	2,429,150	-
Accounts receivable						
Property taxes	639,000	-	587,764	-	1,226,764	-
Accounts and interest	667,328	39,453	2,248	-	709,029	113,513
Due from other funds	160,336	-	268	14,586	175,190	1,235,773
Due from other governmental units	-	47,888	24,099	-	71,987	-
Inventories	39,007	16,680	-	-	55,687	-
Prepaid expenses	94,612	33,371	-	-	127,983	137,063
Total current assets	5,643,948	859,075	3,842,291	14,586	10,359,900	1,486,349
Non-current assets:						
Cash and cash equivalents	870,985	-	-	-	870,985	-
Delinquent taxes	-	-	768,879	-	768,879	-
Total non-current assets	870,985	-	768,879	-	1,639,864	-
Property, plant and equipment:						
Property, plant and equipment	8,456,493	4,038,975	-	-	12,495,468	-
Less accumulated depreciation	(4,668,968)	(2,642,157)	-	-	(7,311,125)	-
Total property, plant and equipment (net of accumulated depreciation)	3,787,525	1,396,818	-	-	5,184,343	-
Total assets	10,302,458	2,255,893	4,611,170	14,586	17,184,107	1,486,349
Liabilities:						
Current liabilities:						
Accounts payable	872,209	108,465	451	944	982,069	537,810
Due to other governmental units	29,123	-	4,182	-	33,305	-
Deferred revenue	639,000	100,550	-	-	739,550	112,016
General obligation bonds, current portion	188,329	-	-	-	188,329	-
Total current liabilities	1,728,661	209,015	4,633	944	1,943,253	649,826
Long-term liabilities (less current portions):						
General obligation bonds	588,836	-	-	-	588,836	-
Total liabilities	2,317,497	209,015	4,633	944	2,532,089	649,826
Net assets:						
Investment in capital assets, net	3,010,360	1,396,818	-	-	4,407,178	-
Restricted						
Foreclosure	-	-	242,067	-	242,067	-
Tax administration	-	-	85,040	-	85,040	-
Unrestricted	4,974,601	650,060	4,279,430	13,642	9,917,733	836,523
Total net assets	\$ 7,984,961	\$ 2,046,878	\$ 4,606,537	\$ 13,642	\$ 14,652,018	\$ 836,523

The accompanying notes are an integral part of these financial statements.

**Reconciliation of Net Assets on the Statement of Net Assets for
Proprietary Funds to Net Assets of Business Type Activities
on the Statement of Net Assets
December 31, 2005**

Fund balances, business type activities	\$ 14,652,018
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with business-type activities.

94,562

Net assets, business type activities	<u>\$ 14,746,580</u>
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Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

	Business Type Activities-Enterprise Funds				Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Internal Service Fund
Operating revenues:					
Federal grants	\$ -	\$ 166,566	\$ -	\$ -	\$ 166,566
State grants	-	508,317	-	-	508,317
Charges for services	7,365,327	334,386	470,207	43,991	8,213,911
Other	-	-	4,777	-	4,777
Total operating revenues	7,365,327	1,009,269	474,984	43,991	8,893,571
Operating expenses:					
Personal services	5,615,092	877,433	46,084	-	6,538,609
Contractual services	748,251	59,580	-	-	807,831
Supplies	840,443	228,117	8,854	41,043	1,118,457
Utilities	178,139	26,593	-	-	204,732
Depreciation	235,758	454,895	-	-	690,653
Other services and charges	233,729	141,563	57,050	-	432,342
Total operating expenses	7,851,412	1,788,181	111,988	41,043	9,792,624
Operating income (loss)	(486,085)	(778,912)	362,996	2,948	(899,053)
Non-operating revenues (expenses):					
Taxes	665,682	273,692	-	-	939,374
State aid	139,396	-	-	-	139,396
Gain on sale of capital assets	-	19,676	-	-	19,676
Interest	130,769	16,642	87,802	-	235,213
Interest expense and fees	(45,923)	-	(18,154)	-	(64,077)
Total non-operating revenues (expenses)	889,924	310,010	69,648	-	1,269,582
Net income (loss) before operating transfers and capital grants	403,839	(468,902)	432,644	2,948	370,529
Operating transfers out	-	-	(460,879)	-	(460,879)
Capital grants	-	517,794	-	-	517,794
Net income (loss)	403,839	48,892	(28,235)	2,948	427,444
Net assets, beginning of year	7,581,122	1,997,986	4,634,772	10,694	14,224,574
Net assets, end of year	\$ 7,984,961	\$ 2,046,878	\$ 4,606,537	\$ 13,642	\$ 14,652,018

The accompanying notes are an integral part of these financial statements.

**Reconciliation of the Statement of Revenues, Expenses
and Changes in Net Assets of Proprietary Funds
to the Statement of Activities
December 31, 2005**

Net change in fund balances, business type activities \$ 427,444

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported with business-type activities.

35,129

Change in net assets, business type activities \$ 462,573

Proprietary Funds
Statement of Cash Flows
December 31, 2005

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Cash flows from operating activities:						
Cash receipts from customers	\$ 7,637,296	\$ 998,131	\$ 3,523,447	\$ 43,991	\$ 12,202,865	\$ 2,441,339
Cash payments to employees	(5,606,126)	(877,433)	-	-	(6,483,559)	-
Cash payments to suppliers	(1,577,629)	(334,940)	(111,623)	(42,209)	(2,066,401)	(2,456,024)
Cash payments for delinquent taxes	-	-	(3,244,973)	-	(3,244,973)	-
Other payments	-	(141,563)	-	-	(141,563)	-
Internal activity	-	-	-	(1,782)	(1,782)	-
Net cash provided (used) by operating activities	453,541	(355,805)	166,851	-	264,587	(14,685)
Cash flows from noncapital financing activities:						
State aid received	139,396	-	-	-	139,396	-
Property taxes	665,682	273,692	-	-	939,374	-
Interfund borrowings - net	-	-	3,358	-	3,358	-
Operating transfers out	-	-	(460,879)	-	(460,879)	-
Interest expense and fees	-	-	(18,154)	-	(18,154)	-
Proceeds from bonds issued	-	-	1,100,000	-	1,100,000	-
Payments of bonds	-	-	(2,102,273)	-	(2,102,273)	-
Noncapital grants received	-	13,304	-	-	13,304	-
Net cash provided (used) by noncapital financing activities	805,078	286,996	(1,477,948)	-	(385,874)	-
Cash flows from capital and related financing activities:						
Capital grants received	-	517,794	-	-	517,794	-
Proceeds from sale of capital assets	-	23,575	-	-	23,575	-
Acquisition and construction of capital asset	(58,654)	(526,454)	-	-	(585,108)	-
Principal paid on capital debt and leases	(190,000)	-	-	-	(190,000)	-
Interest expense on capital debt and leases	(32,480)	-	-	-	(32,480)	-
Net cash provided (used) by capital and related financing activities	(281,134)	14,915	-	-	(266,219)	-
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	141,626	4,189,614	-	4,331,240	-
Investment income	130,769	16,642	87,802	-	235,213	14,685
Purchases of investments	(18,405)	-	(2,587,428)	-	(2,605,833)	-
Net cash provided by investing activities	112,364	158,268	1,689,988	-	1,960,620	14,685
Net increase in cash & cash equivalents	1,089,849	104,374	378,891	-	1,573,114	-
Cash and cash equivalents, beginning of year	3,020,423	617,309	1,224,249	-	4,861,981	-
Cash and cash equivalents, end of year	\$ 4,110,272	\$ 721,683	\$ 1,603,140	\$ -	\$ 6,435,095	\$ -

The accompanying notes are an integral part of these financial statements.

Proprietary Funds
Statement of Cash Flows
December 31, 2005
(Continued)

	Business Type Activities-Enterprise Funds					Governmental Activities
	Medical Care Facility	Huron Transit	Delinquent Tax Revolving	Other Proprietary Fund	Total	Internal Service Fund
Reconciliation of net income to net cash provided (used) by operating activities:						
Operating income (loss) for the year	\$ (486,085)	\$ (778,912)	\$ 362,996	\$ 2,948	\$ (899,053)	\$ 358,041
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	235,758	454,895	-	-	690,653	-
Change in assets and liabilities:						
Receivables	271,969	(11,138)	(189,749)	-	71,082	(381,553)
Inventories	(5,310)	(11,351)	-	-	(16,661)	-
Prepaid items	(100)	(2,629)	-	-	(2,729)	42,794
Due from other governmental units	-	-	3,623	-	3,623	-
Due from other funds	312,812	-	-	(1,782)	311,030	-
Delinquent taxes	-	-	(10,384)	-	(10,384)	-
Accounts payable	113,983	(6,670)	(58)	(1,166)	106,089	(36,938)
Deferred revenue	-	-	-	-	-	2,971
Due to other governmental units	10,514	-	423	-	10,937	-
Net cash provided (used) by operating activities	<u>\$ 453,541</u>	<u>\$ (355,805)</u>	<u>\$ 166,851</u>	<u>\$ -</u>	<u>\$ 264,587</u>	<u>\$ (14,685)</u>

Agency Funds
Statement of Fiduciary Net Assets
December 31, 2005

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 986,596
Due from other funds	<u>824,670</u>
Total assets	<u><u>\$ 1,811,266</u></u>
Liabilities:	
Accounts payable	\$ 54,180
Undistributed tax collections	1,447,348
Due to other governmental units	<u>309,738</u>
Total liabilities	<u><u>\$ 1,811,266</u></u>

The accompanying notes are an integral part of these financial statements.

**DISCRETELY PRESENTED
COMPONENT UNITS**

Huron County, Michigan

	Road Commission	Department of Public Works	Economic Development Corporation
Assets:			
Cash and cash equivalents	\$ 1,167,507	\$ 167,743	\$ 77,915
Investments	-	-	-
Receivables	3,791,434	-	10,568
Due from primary government	490,878	-	-
Due from (to) other component units	79,379	-	-
Due from other governmental units	-	5,197,050	-
Inventory	696,150	-	-
Prepaid expenses	39,773	-	-
Capital assets (net of accumulated depreciation)	60,747,491	-	-
Total assets	67,012,612	5,364,793	88,483
Liabilities:			
Payables and current liabilities	387,330	-	27,738
Accrued interest	31,860	25,574	-
Due to other governmental units	7,380	-	-
Advance from primary government	-	-	-
Deferred revenue	1,429,435	-	-
Non-current liabilities			
Advance from State	283,195	-	-
Due within one year	146,283	430,000	-
Due in more than one year	1,121,194	4,741,476	-
Deferred revenue	-	-	-
Total liabilities	3,406,677	5,197,050	27,738
Net assets:			
Investment in capital assets, net of related liabilities	59,979,880	-	-
Restricted			
Capital projects	-	167,576	-
Debt service	-	167	-
Risk management	-	-	-
Unrestricted	3,626,055	-	60,745
Total net assets	\$ 63,605,935	\$ 167,743	\$ 60,745

The accompanying notes are an integral part of these financial statements.

Discretely Presented Component Units
Combining Statement of Net Assets
December 31, 2005

Huron Behavioral Health	Drain Commission	Total
\$ 4,113,716	\$ 60,009	\$ 5,586,890
225,869	6,034,784	6,260,653
79,379	11,942,841	15,824,222
-	-	490,878
-	(79,379)	-
85,273	-	5,282,323
-	-	696,150
169,016	-	208,789
<u>530,979</u>	<u>19,068,105</u>	<u>80,346,575</u>
5,204,232	37,026,360	114,696,480
313,026	32,653	760,747
-	67,391	124,825
468,456	-	475,836
-	217,000	217,000
-	2,168,653	3,598,088
-	-	283,195
-	1,580,635	2,156,918
427,706	10,380,433	16,670,809
<u>-</u>	<u>9,792,414</u>	<u>9,792,414</u>
1,209,188	24,239,179	34,079,832
530,979	7,107,037	67,617,896
-	-	167,576
-	-	167
16,284	-	16,284
<u>3,447,781</u>	<u>5,680,144</u>	<u>12,814,725</u>
<u>\$ 3,995,044</u>	<u>\$ 12,787,181</u>	<u>\$ 80,616,648</u>

The accompanying notes are an integral part of these financial statements.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Road commission			
Governmental activities:			
Highways and streets	\$ 10,792,048	\$ 1,783,768	\$ 8,530,980
Interest on long-term debt	57,466	-	-
Total road commission	10,849,514	1,783,768	8,530,980
Department of public works			
Governmental activities:			
Other	64,851	49,174	-
Interest on long-term debt	232,219	232,219	-
Total department of public works	297,070	281,393	-
Economic development corporation			
Governmental activities:			
Economic development	223,445	106,647	24,366
Huron behavioral health			
Governmental activities:			
Health and welfare	8,456,078	7,637,939	129,221
Drain commission			
Governmental activities:			
Public works	1,391,868	-	2,352,395
Interest on long-term debt	547,517	-	-
Total drain commission	1,939,385	-	2,352,395
Total component units	\$ 21,765,492	\$ 9,809,747	\$ 11,036,962

General revenues:

Taxes
 Grants and contributions not
 restricted to specific programs
 Unrestricted investment income
 Restricted investment income
 Miscellaneous revenues
 Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

Discretely Presented Component Units
Combining Statement of Activities
For the Year Ended December 31, 2005

Net (Expense) Revenue and Change in Net Assets

Road Commission	Department of Public Works	Economic Development Corporation	Huron Behavioral Health	Drain Commission	Total
\$ (477,300)	\$ -	\$ -	\$ -	\$ -	\$ (477,300)
(57,466)	-	-	-	-	(57,466)
(534,766)	-	-	-	-	(534,766)
-	(15,677)	-	-	-	(15,677)
-	-	-	-	-	-
-	(15,677)	-	-	-	(15,677)
-	-	(92,432)	-	-	(92,432)
-	-	-	(688,918)	-	(688,918)
-	-	-	-	960,527	960,527
-	-	-	-	(547,517)	(547,517)
-	-	-	-	413,010	413,010
					(918,783)
1,062,152	-	-	-	-	1,062,152
-	-	65,800	234,368	-	300,168
48,919	5,118	1,522	112,066	182,743	350,368
-	-	-	2,080	-	2,080
-	-	-	6,724	32,608	39,332
120,828	-	-	-	-	120,828
1,231,899	5,118	67,322	355,238	215,351	1,874,928
697,133	(10,559)	(25,110)	(333,680)	628,361	956,145
62,908,802	178,302	85,855	4,328,724	12,158,820	79,660,503
<u>\$ 63,605,935</u>	<u>\$ 167,743</u>	<u>\$ 60,745</u>	<u>\$ 3,995,044</u>	<u>\$ 12,787,181</u>	<u>\$ 80,616,648</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Huron County, Michigan (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County of Huron, Michigan, covers an area of approximately 824 square miles, with the County seat located in the City of Bad Axe, Michigan. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 36,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Blended Component Units

The **Huron County Building Authority** is governed by a three-person board appointed by the County Board. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings and other capital improvements.

The **Huron County Transit Corporation** is a separate not-for-profit corporation governed by a six-person board appointed by the County Board. Its sole purpose is to operate the County's transit activities through an operations contract with the County. All transit revenues including grants, taxes and service charges are revenues of the County Transit Fund. In order to not be misleading, this fund has been consolidated and is included in the primary government's enterprise funds.

Discretely Presented Component Units

The **Huron County Road Commission** maintains and constructs County roads and bridges. The County provides subsidies to the Road Commission.

The **Department of Public Works** (DPW) funds are County agencies created to finance and construct water and/or sewage disposal systems for other governments within the County. The DPW funds issue bonds for the construction of such systems. The DPW then enters into contracts with these governments for the repayments of the bonds. These contracts are secured by the full faith and credit of these governments.

The **Drain funds** of the County include several drainage districts which are separate legal entities. Drain funds are consolidated and presented as one fund. The Board of County Road Commissioners is the appointed governing body of the Drain Funds.

The **Economic Development Corporation** (EDC) is a legally separate, not-for-profit corporation which provides economic development assistance to other County governments. The County provides subsidies to the EDC.

Huron Behavioral Health is an Authority that operates under the provisions of Act 258, Public Acts of 1974 (The Michigan Mental Health Code), as amended. The County Board of Commissioners appoints the twelve-person board, can remove the appointed members at will, can dissolve the Authority and provides annual appropriations to the Authority.

Complete financial statements for each of the discretely presented component units can be obtained directly from the County Treasurer's office or the administration offices at the following locations:

Huron County Road Commission
 417 South Hanselman Street
 Bad Axe, MI 48413

Huron County Department of Public Works
 250 East Huron Avenue
 Bad Axe, MI 48413

Economic Development Corporation
 250 East Huron Avenue
 Bad Axe, MI 48413

Drain Commission
 417 South Hanselman Street
 Bad Axe, MI 48413

Huron Behavioral Health Services
 1108 S. Van Dyke
 Bad Axe, MI 48413

Separate audited financial statements for the DPW funds and the Economic Development Corporation were not issued.

Funds With Another Year End

All of the County funds and component units operate and are reported on a December 31 year end with the exception of the Department of Human Services, Health Department fund, Huron Transit funds, and Huron Behavioral Health Services which operate and are reported as of September 30.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Health Department Fund* is used to account for the operations of providing health protection and health services. Financing is provided by state and federal grants, charges for services and general fund appropriations.

The *Primary Road Fund* is used to report voted property taxes collected for road improvements. The taxes collected are remitted to the various local governmental units upon the request of those units.

The *Revenue Reserve Fund* is mandated by the State of Michigan and accounts for property tax collections to serve as a substitute for state revenue sharing payments. This substitute funding mechanism involves a gradual shift of County property tax millage from a winter tax levy to a summer tax levy.

The County reports the following major proprietary funds:

The *Medical Care Facility* is used to account for operations that provide medical care services where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *Huron Transit Authority* is used to account for the operation of a County wide transportation system.

The *Delinquent Tax Revolving Fund* is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

Additionally, the government reports the following fund types:

The *Internal Service Fund* is used to account for the charges for services from funds and departments for self-funded workers compensation and health care, and to account for the payment of related insurance claims and expenses.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for this business type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal on-going operations. The principal operating revenues for the Enterprise and Internal Services Funds are charges to customers for sales and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at anytime without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations for the U. S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance restricted account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property receivables are shown net of an allowance for uncollectible accounts.

3. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased except for the Road Commission component unit which values inventories at first in/first out (FIFO) method. Inventories of proprietary funds are carried at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years except for the Huron County Behavioral Health Authority which capitalizes assets with an individual cost of \$1,000 or more and the Huron County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

	Primary Government	Road Commission	Department of Public Works	Drains	Huron Behavioral Health
Building/Improvements	20 - 45	25 - 50	-	-	20 - 30
Drain system	-	-	-	30	-
Road system/Other information	-	5 - 50	-	-	-
Equipment	5 - 15	5 - 20	5 - 10	-	3 - 10

5. Compensated Absences

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

8. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements.

- 1) Prior to November 1, County departments, in conjunction with the Treasurer's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioner's resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.
- 6) The County does not employ encumbrance accounting as an expansion of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year end.
- 7) Budgeted amounts are reported as originally adopted, and as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the component units included in the reporting entity of Huron County, except that the respective Administrator/Director of each performs the function described above rather than the County Treasurer. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements; however, a summary of expenditures in excess of appropriations for the component units' budgetary funds is included below.

B. Excess of Expenditures over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The following over-expenditures were funded by available fund balance.

Excess of expenditures over appropriations in individual funds are as follows:

	Final Budget	Actual	Excess
Primary government			
General fund			
Other	\$ 1,631,758	\$ 1,641,391	\$ 9,633
Special revenue funds			
Health department			
Health and welfare	2,274,197	2,478,280	204,083
Parks			
Recreation and cultural	1,225,000	1,227,795	2,795
Public improvement			
General government	43,800	52,379	8,579
Homestead pre-audit			
General government	-	1,500	1,500
Airport			
Public works	93,200	111,659	18,459
Emergency phone - wireless			
Public safety	75,000	111,162	36,162
Drug law enforcement			
Public safety	-	500	500
Veterans' trust			
Health and welfare	4,000	4,397	397
Older citizens'			
Health and welfare	199,923	221,803	21,880

Component units

The component units (the Huron County Road Commission, the Department of Public Works, Debt Service Funds, and the Drain Debt Service Funds) adopt their budgets at the account level. Huron Behavioral Health adopts their budgets on a functional level. During the year ended December 31, 2005, the component units incurred expenditures in excess of the amounts appropriated as follows:

	Final Budget	Actual	Excess
Road Commission			
Primary roads routine maintenance	\$ 1,250,000	\$ 1,283,638	\$ 33,638
Local roads routine maintenance	1,400,000	1,538,738	138,738
Primary structures routine maintenance	1,000	16,288	15,288
Local structures routine maintenance	1,000	41,190	40,190
State trunkline maintenance	1,050,000	1,073,494	23,494
State trunkline non-maintenance	550,000	662,661	112,661
Equipment expense - direct	1,400,000	1,502,154	102,154
Equipment expense - indirect	650,000	663,661	13,661
Equipment expense - operating	450,000	486,207	36,207
Administrative expense	720,000	768,296	48,296
Capital outlay	903,000	904,680	1,680
Huron Behavioral Health			
Program operations	5,196,898	5,463,694	266,796
Managed care administration	151,064	151,136	72

III. DETAILED NOTES ON ALL FUNDS**A. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the Board has authorized investments to those listed under the State's statutory authority as noted above. The County's deposits and investments are in accordance with statutory authority.

At year end, the County's cash and investments were reported in the accompanying financial statements in the following categories:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 5,639,803	\$ 6,435,095	\$ 986,596	\$ 5,586,890
Investments	1,156,285	2,429,150	-	6,260,653
	<u>\$ 6,796,088</u>	<u>\$ 8,864,245</u>	<u>\$ 986,596</u>	<u>\$ 11,847,543</u>

Cash and investments as of December 31, 2005 consisted of the following:

	Governmental Activities	Business Type Activities	Fiduciary Funds	Component Units
Cash on hand	\$ 2,350	\$ 50	\$ -	\$ 50
Demand deposits	5,385,129	7,760,249	883,160	5,419,270
Investment pools	1,408,609	1,103,946	103,436	6,428,223
	<u>\$ 6,796,088</u>	<u>\$ 8,864,245</u>	<u>\$ 986,596</u>	<u>\$ 11,847,543</u>

The County's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk. At year end, the County's primary government, fiduciary funds and component units had \$18,037,057 of bank deposits (certificates of deposits, checking, and savings accounts) that were uninsured and uncollateralized. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed below, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Governmental Activities		
Investment pools		
Bank One Govt OP Money Market Funds	\$ 559,738	N/A
Cadre	105,219	N/A
Comerica Govt Cash Investment Funds	111,652	N/A
National City Municipal Investment Funds	632,000	N/A
Business Type Activities		
Investment pools		
Bank One Govt OP Money Market Funds	\$ 622,135	N/A
Cadre	428,811	N/A
National City Municipal Investment Funds	53,000	N/A
Fiduciary Funds		
Investment pools		
Comerica Govt Cash Investment Funds	\$ 103,436	N/A
Component Units		
Investment pools		
Bank One Govt OP Money Market Funds	\$ 3,781,040	N/A
Comerica Govt Cash Investment Funds	393,351	N/A
National City Municipal Investment Funds	2,253,832	N/A

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. None of the County's investments were subject to credit risk ratings.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables

Receivables in the governmental and business type activities are as follows:

	Governmental Activities	Business Type Activities
Property taxes	\$ 6,210,819	\$ 1,995,643
Accounts and interest	525,060	742,029
Intergovernmental Federal/State	380,669	71,987
Less allowance for uncollectible accounts	-	(33,000)
	<u>\$ 7,116,548</u>	<u>\$ 2,776,659</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
General fund	
Property taxes	\$ 2,491,723
Grants	94,488
Non-major governmental funds	
Property taxes	1,742,737
Revolving loan	224,134
Other	<u>252</u>
	<u>\$ 4,553,334</u>

C. Capital Assets

Primary government

Capital asset activity of the primary government for the year ended December 31, 2005 was as follows:

	January 1, 2005 Balance	Additions	Deletions	December 31, 2005 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,029,992	\$ -	\$ -	\$ 1,029,992
Land improvements	2,935,350	-	-	2,935,350
Historical lighthouse	13,107	84,649	-	97,756
Construction in progress	18,015	15,251	-	33,266
Total capital assets, not being depreciated	3,996,464	99,900	-	4,096,364
Capital assets, being depreciated:				
Buildings	10,154,065	17,547	-	10,171,612
Campsite improvements	1,199,938	-	-	1,199,938
Other improvements	-	204,402	-	204,402
Airport runway properties	1,219,536	-	-	1,219,536
Machinery and equipment				
General	455,723	24,993	-	480,716
Emergency	1,707,723	-	-	1,707,723
Marine	202,387	-	-	202,387
Health	228,756	22,221	-	250,977
Parks	165,240	4,700	-	169,940
Vehicles				
General	719,982	58,037	-	778,019
Health	134,575	-	-	134,575
Total capital assets being depreciated	16,187,925	331,900	-	16,519,825
Less accumulated depreciation for:				
Buildings	4,017,020	245,243	-	4,262,263
Campsite improvements	522,858	44,437	-	567,295
Other improvements	-	6,813	-	6,813
Airport runway properties	500,014	63,306	-	563,320
Machinery and equipment				
General	309,363	52,476	-	361,839
Emergency	1,365,814	162,357	-	1,528,171
Marine	173,888	7,627	-	181,515
Health	174,302	14,673	-	188,975
Parks	54,413	6,870	-	61,283
Vehicles				
General	567,516	68,573	-	636,089
Health	87,778	8,800	-	96,578
Total accumulated depreciation	7,772,966	681,175	-	8,454,141
Total capital assets being depreciated, net	8,414,959	(349,275)	-	8,065,684
Governmental activities capital assets, net	\$ 12,411,423	\$ (249,375)	\$ -	\$ 12,162,048

Notes to Combined Financial Statements
December 31, 2005
(Continued)

	January 1, 2005			December 31, 2005
	Balance	Additions	Deletions	Balance
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Capital assets, being depreciated:				
Buildings	8,534,406	58,655	-	8,593,061
Land improvements	110,038	-	-	110,038
Machinery and equipment	1,196,744	89,539	2,980	1,283,303
Vehicles	2,651,866	436,915	597,215	2,491,566
Total capital assets being depreciated	12,493,054	585,109	600,195	12,477,968
Less accumulated depreciation for:				
Buildings	4,292,601	252,236	-	4,544,837
Land improvements	103,419	547	-	103,966
Machinery and equipment	952,541	62,380	2,980	1,011,941
Vehicles	1,868,207	375,490	593,316	1,650,381
Total accumulated depreciation	7,216,768	690,653	596,296	7,311,125
Total capital assets being depreciated, net	5,276,286	(105,544)	3,899	5,166,843
Business activities capital assets, net	\$ 5,293,786	\$ (105,544)	\$ 3,899	\$ 5,184,343

Depreciation expense charged to functions/programs of the primary government for the year ended December 31, 2005 is as follows:

Governmental activities:	
Legislative	\$ 11,094
Judicial	36,369
General government	69,420
Public safety	329,516
Public works	63,306
Health and welfare	60,683
Recreation and cultural	110,787
Total depreciation expense - governmental activities	<u>\$ 681,175</u>
Business type activities:	
Medical Care Facility	\$ 235,758
Huron Transit	454,895
Total depreciation expense - business type activities	<u>\$ 690,653</u>

Discretely Presented Component Units

Drain Commission - Activity for the Drain Commission for the year ended December 31, 2005, was as follows:

	January 1, 2005			December 31, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land improvements	\$ 2,349,213	\$ -	\$ -	\$ 2,349,213
Construction in progress	90,486	1,418,737	-	1,509,223
Total capital assets, not being depreciated	2,439,699	1,418,737	-	3,858,436
Capital assets, being depreciated:				
Drainage systems	22,534,231	1,057,340	-	23,591,571
Less accumulated depreciation for:				
Drainage systems	<u>(7,595,166)</u>	<u>(786,736)</u>	-	<u>(8,381,902)</u>
Total capital assets, being depreciated, net	<u>14,939,065</u>	<u>270,604</u>	-	<u>15,209,669</u>
Governmental activity capital assets, net	<u>\$ 17,378,764</u>	<u>\$ 1,689,341</u>	<u>\$ -</u>	<u>\$ 19,068,105</u>

Depreciation expense for 2005 was \$786,736.

Notes to Combined Financial Statements
December 31, 2005
(Continued)

Road Commission - Activity for the Road Commission for the year ended December 31, 2005, was as follows:

	January 1, 2005			December 31, 2005
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land	\$ 88,288	\$ -	\$ -	\$ 88,288
Land improvements	9,064,220	471,513	-	9,535,733
Total capital assets, not being depreciated	9,152,508	471,513	-	9,624,021
Capital assets, being depreciated:				
Buildings and improvements	1,310,775	-	-	1,310,775
Road equipment	6,465,336	898,683	712,300	6,651,719
Shop equipment	94,666	-	-	94,666
Office equipment	96,997	5,347	5,361	96,983
Engineering equipment	99,204	650	-	99,854
Yard and storage	424,423	-	-	424,423
Infrastructure				
Roads	61,166,615	5,092,984	4,428,320	61,831,279
Bridges	22,467,006	748,652	-	23,215,658
Depletable assets				
Gravel pits	90,453	-	-	90,453
Total capital assets being depreciated	92,215,475	6,746,316	5,145,981	93,815,810
Less accumulated depreciation for:				
Buildings and improvements	896,252	33,514	-	929,766
Road equipment	5,210,201	643,761	712,078	5,141,884
Shop equipment	55,420	5,983	-	61,403
Office equipment	69,607	9,761	5,361	74,007
Engineering equipment	72,537	7,388	-	79,925
Yard and storage	227,123	19,691	-	246,814
Infrastructure				
Roads	29,960,793	4,951,188	4,428,320	30,483,661
Bridges	5,109,601	487,163	-	5,596,764
Depletable assets				
Gravel pits	78,116	-	-	78,116
	41,679,650	6,158,449	5,145,759	42,692,340
Total capital assets, being depreciated, net	50,535,825	587,867	222	51,123,470
Governmental activity capital assets, net	\$ 59,688,333	\$ 1,059,380	\$ 222	\$ 60,747,491

Depreciation expense for 2005 was \$6,158,449.

Notes to Combined Financial Statements
December 31, 2005
(Continued)

Huron Behavioral Health - Activity for Huron Behavioral Health for the year ended December 31, 2005, was as follows:

	January 1, 2005			December 31, 2005
	Balance	Additions	Deletions	Balance
Capital Assets, not being depreciated:				
Land	\$ 25,000	\$ 42,192	\$ -	\$ 67,192
Capital assets, being depreciated:				
Buildings	193,500	-	-	193,500
Land improvements	13,075	-	-	13,075
Building improvements	48,124	18,140	-	66,264
Transportation equipment	629,897	30,417	12,500	647,814
Computer equipment	196,333	12,661	23,543	185,451
Office equipment	258,844	-	-	258,844
Total capital assets being depreciated	1,339,773	61,218	36,043	1,364,948
Less accumulated depreciation for:				
Buildings	17,711	4,338	-	22,049
Land improvements	327	327	-	654
Building improvements	2,607	1,469	-	4,076
Transportation equipment	484,155	66,979	7,475	543,659
Computer equipment	174,482	15,576	22,377	167,681
Office equipment	141,563	21,479	-	163,042
	820,845	110,168	29,852	901,161
Total capital assets, being depreciated, net	518,928	(48,950)	6,191	463,787
Governmental activity capital assets, net	\$ 543,928	\$ (6,758)	\$ 6,191	\$ 530,979

Depreciation expense for 2005 was \$110,168.

D. Payables

Payables in the governmental and business type activities are as follows:

	Governmental Activities	Business Type Activities
Accounts payable/accrued liabilities	\$ 290,096	\$ 606,795
Wages and fringe benefits	678,918	375,274
Intergovernmental Federal/State	39,000	33,305
	\$ 1,008,014	\$ 1,015,374

E. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

	<u>Receivable</u>	<u>Payable</u>
Advances to/from other funds		
Primary government		
General	\$ 217,000	\$ -
Component unit		
Drains	-	217,000
	<u>\$ 217,000</u>	<u>\$ 217,000</u>
Interfund receivable/payable		
Governmental funds		
General	\$ 12,000	\$ 2,833,549
Health	9,369	-
Primary road	623	-
Nonmajor governmental	504,126	12,000
Proprietary funds		
Medical care facility	160,336	-
Delinquent tax revolving	268	-
Nonmajor proprietary	14,586	-
Internal service funds	1,235,773	-
Fiduciary funds	824,670	-
	<u>2,761,751</u>	<u>2,845,549</u>
Adjustments for September 30 year end funds	83,798	-
	<u>\$ 2,845,549</u>	<u>\$ 2,845,549</u>

A summary of interfund transfers for the year ended December 31, 2005, is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds		
General	\$ 1,136,429	\$ 1,340,520
Health	276,627	-
Revenue reserve	-	675,550
Nonmajor governmental	1,225,862	169,262
Proprietary funds		
Delinquent tax revolving	-	460,879
	<u>2,638,918</u>	<u>2,646,211</u>
Adjustments for September 30 year end funds	7,293	-
	<u>\$ 2,646,211</u>	<u>\$ 2,646,211</u>

Transfers are used to (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Total transfers in for the primary government as shown in the accompanying financial statements were \$2,638,918 and total transfers out were \$2,646,211. The difference between these amounts, \$7,293, was attributable to transactions with the Health Department, which is reported on a September 30 year end. As such, this is reported as an uneliminated internal balance in the statement of activities.

F. Unemployment Compensation

The County and its component units are reimbursing employers for purposes of unemployment insurance claims against the employer. They reimburse the State of Michigan for all benefits charged against it in the event of termination of employment and subsequent claims of its employees. Because an estimate cannot be made, the contingent liability for unemployment insurance claims is not recognized in the accompanying financial statements. This expense is recognized as paid or when the liability is due to the State Unemployment Agency.

G. Leases

Primary government

Operating leases - The 911 Operation leases towers under five year leases (all of which have expired). The leases are, therefore, month to month. The annual expense for tower and other miscellaneous leases was \$30,376 in 2005.

Component units

Road Commission

Capital Leases - The Road Commission has entered into lease agreements as the lessee for financing the purchase of road graders. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value is as follows:

	Cat Grader	Cat Grader	Total
2006	\$ 32,021	\$ 34,100	\$ 66,121
2007	136,005	37,200	173,205
2008	-	128,984	128,984
Total minimum lease payments	168,026	200,284	368,310
Less amount representing interest	(10,318)	(15,018)	(25,336)
Present value	\$ 157,708	\$ 185,266	\$ 342,974

Huron Behavioral Health

Operating Lease - On January 1, 2005, the Authority entered into a lease agreement with the Huron County Board of Commissioners to lease office space. The terms of the lease require monthly payments of \$11,597 for a period of one year beginning January 1, 2005. The Authority is responsible for all expenses of operation including utilities and maintenance. Future minimum lease payments at September 30, 2005 are \$34,791.

The lease further provides for cancellation by the Authority if the purpose for which the lease was entered into no longer exists due to executive, legislative or local government order or insufficient allocation of funds for this location by the Michigan State Department of Community Health and/or the Huron County Board of Commissioners.

The Authority entered into various lease arrangements for housing residential and day activity facilities. The terms of the leases require monthly payments amounting to \$3,641. The Authority is responsible for all expenses of operation including utilities and maintenance.

The leases also provide for an optional renewal term with monthly lease payments to be determined based on an agreed upon formula. The leases further provide for cancellation by the Authority in the event funding is terminated, reduced or licensing is withheld.

H. Long-Term Debt

A summary of changes in long-term debt is as follows:

	Balance January 1, 2005	Additions (Retirements)	Balance December 31, 2005	Due Within One Year
Primary government - Governmental activities:				
General Obligation Debt:				
Municipal purchase note - secured by general obligation of the County:				
\$2,840,000 Municipal Purchase Note (Jail and Medical Care Building); due in annual installments of \$165,000 - \$365,000 plus interest semi-annually at 3.000% - 3.875% through September 1, 2011	\$ 2,075,000	\$ (330,000)	\$ 1,745,000	\$ 345,000
Less amount carried by Enterprise Fund (Medical Care Building)	(995,000)	190,000	(805,000)	(200,000)
Total Municipal Purchase Note (Jail)	1,080,000	(140,000)	940,000	145,000
Building authority debt - secured by general obligation of the County:				
\$1,100,000 Communication Equipment bonds; due in annual installments of \$130,000 plus interest semi-annually at 4.60% through September 1, 2005	130,000	(130,000)	-	-
Total general obligation debt	1,210,000	(270,000)	940,000	145,000
Other debt:				
Lease purchase - GMAC; due in annual installments of \$19,068 including interest annually at 4.70% through April 28, 2006	35,607	(17,394)	18,213	18,213
Lease purchase - GMAC; due in annual installments of \$13,215 including interest annually at 6.90% through June 24, 2007	-	37,140 (13,215)	23,925	11,564
Lease purchase - Ford Motor Credit; due in annual installments of \$7,308 including interest annually at 5.00% through August 17, 2007	-	20,897 (7,308)	13,589	6,629
Note payable - Michigan Aeronautics Commission Michigan Airport Loan Program with annual payments of \$1,723 including interest at 4.70% through May 2008	6,151	(1,433)	4,718	1,501
General fund vested vacation and sick leave	839,126	17,167	856,293	-
Special revenue fund vested vacation and sick leave	76,937	6,103	83,040	-
Total other debt	957,821	41,957	999,778	37,907
Total debt - governmental activities	\$ 2,167,821	\$ (228,043)	\$ 1,939,778	\$ 182,907

Notes to Combined Financial Statements
December 31, 2005
(Continued)

	<u>Balance January 1, 2005</u>	<u>Additions (Retirements)</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Primary government - Business type activities:				
General Obligation Debt:				
Municipal purchase note - secured by general obligation of the County:				
\$1,490,000 Municipal Purchase Note; due in annual installments of \$200,000 - \$205,000 plus interest semi-annually at 3.000% - 3.625% through September 1, 2009	\$ 995,000	\$ (190,000)	\$ 805,000	\$ 200,000
Less unamortized discount and issue costs	<u>(43,020)</u>	<u>15,185</u>	<u>(27,835)</u>	<u>(11,671)</u>
Net Municipal Purchase Note	951,980	(174,815)	777,165	188,329
2005 General obligation limited tax renewal notes, interest payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .45%.	-	1,100,000 (1,100,000)	-	-
2004 General obligation limited tax renewal notes, interest payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .45%; payable pursuant to County policy in amounts approximately equal to taxes collected in 2003				
Delinquent Tax Revolving Fund	882,273	(882,273)	-	-
2003 General obligation limited tax renewal notes, interest payable monthly at the most recent LIBOR rate as published in the Wall Street Journal, plus .50%; payable pursuant to County policy in amounts approximately equal to taxes collected in 2002				
Delinquent Tax Revolving Fund	<u>120,000</u>	<u>(120,000)</u>	<u>-</u>	<u>-</u>
Total debt - business type activities	<u>\$ 1,954,253</u>	<u>\$ (1,177,088)</u>	<u>\$ 777,165</u>	<u>\$ 188,329</u>

Component units:

General obligation debt:

General obligation debt secured by general obligation contracts:

General obligation bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended.

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems revert to the Townships, Villages or Cities.

	Balance January 1, 2005	Additions (Retirements)	Balance December 31, 2005	Due Within One Year
\$180,000 Huron County sewer system serial bonds (Township of Colfax) due in annual installments of \$15,000 plus interest semi-annually at 5.00% through September 1, 2008; Colfax Township has entered into a general obligation contract with the County to repay this debt	\$ 55,000	\$ (10,000)	\$ 45,000	\$ 15,000
\$525,000 Huron County water and sewer system serial bonds (Sebewaing M-25) due in annual installments of \$30,000 - \$40,000 plus interest semi-annually at 7.05% - 7.15% through September 1, 2012; the Village of Sebewaing has entered into a general obligation contract with the County to repay this debt	290,000	(25,000)	265,000	30,000
\$2,625,000 Huron County water system improvement project bonds (Sand Beach Township) due in annual installments of \$125,000 plus interest semi-annually at 4.80% - 4.85% through December 1, 2007; the Township of Sand Beach has entered into a general obligation contract with the County to repay this debt	2,175,000	(1,925,000)	250,000	125,000
\$1,900,000 Huron County water system improvement refunding bond series 2005 (Sand Beach Township) due in annual installments of \$120,000 - \$500,000 plus interest semi-annually at 2.900% - 4.000% through June 1, 2018; the Township of Sand Beach has entered into a general obligation contract with the County to repay this debt	-	1,900,000	1,900,000	-
\$1,900,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series A) due in annual installments of \$50,000 - \$200,000 plus interest semi-annually at 4.125% - 7.125% through December 1, 2015; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt	1,700,000	(50,000)	1,650,000	50,000
\$1,605,000 Huron County water supply and sewage disposal bonds (City of Bad Axe - Series B) due in annual installments of \$175,000 - \$200,000 plus interest semi-annually at 4.625% - 4.750% through December 1, 2007; the City of Bad Axe has entered into a general obligation contract with the County to repay this debt	550,000	(175,000)	375,000	175,000
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Notes to Combined Financial Statements
December 31, 2005
(Continued)

	Balance January 1, 2005	Additions (Retirements)	Balance December 31, 2005	Due Within One Year
Huron County water system improvement bonds (Village of Elkton) due in annual installments of \$21,476 - \$50,000 plus interest semi-annually at 2.125% through October 1, 2022; the Village of Elkton has entered into a general obligation contract with the County to repay this debt	672,302	49,174 (35,000)	686,476	35,000
Total general obligation debt secured by general obligation contracts	5,442,302	(270,826)	5,171,476	430,000
Drain Funds debt (backed by the full faith and credit of the County):				
Drain notes payable, due in amounts varying from \$6,848 to \$100,000 plus interest at 2.50% - 6.20% through July 1, 2020	1,277,603	100,000 (278,535)	1,099,068	303,635
Drain bonds - Bad Axe Drain - Phase I; due in annual installments of \$75,000 plus interest semi-annually at 6.35% - 6.40% through June 1, 2007	225,000	(75,000)	150,000	75,000
Drain bonds - Bad Axe Drain - Phase II; due in annual installments of \$50,000 - \$75,000 plus interest semi- annually at 5.40% - 5.90% through June 1, 2014	600,000	(50,000)	550,000	50,000
Drain bonds - Cramp Drain; due in annual installments of \$30,000 plus interest semi-annually at 5.60% - 5.90% through June 1, 2009	150,000	(30,000)	120,000	30,000
Drain bonds - Todd Drain; due in annual installments of \$35,000 plus interest semi-annually at 6.50% - 6.90% through June 1, 2010	210,000	(35,000)	175,000	35,000
Drain bonds - Fisher Drain; due in annual installments of \$50,000 plus interest semi-annually at 5.35% through June 1, 2005	50,000	(50,000)	-	-
Drain bonds - Pitcher Drain; due in annual installments of \$35,000 - \$40,000 plus interest semi-annually at 5.00% through June 1, 2011	265,000	(40,000)	225,000	35,000
Drain bonds - Thompson Drain; due in annual installments of \$35,000 - 40,000 plus interest at 4.80% - 4.90% through June 1, 2007	110,000	(35,000)	75,000	35,000
Drain bonds - Allen Drain; due in annual installments of \$100,000 - \$125,000 plus interest semi-annually at 4.50% through June 1, 2012	925,000	(125,000)	800,000	125,000
Drain bonds - Crumback Drain; due in annual installments of \$20,000 - 25,000 plus interest at 4.65% - 5.00% through June 1, 2013	210,000	(25,000)	185,000	20,000

Notes to Combined Financial Statements
December 31, 2005
(Continued)

	Balance January 1, 2005	Additions (Retirements)	Balance December 31, 2005	Due Within One Year
Drain bonds - Schram Drain; due in annual installments of \$70,000 plus interest semi-annually at 4.60% - 5.00% through June 1, 2013	630,000	(70,000)	560,000	70,000
Drain bonds - Bay Port Drain; due in annual installments of \$35,000 - 40,000 plus interest at 4.50% - 4.75% through June 1, 2018	520,000	(35,000)	485,000	35,000
Drain bonds - Lincoln Drain; due in annual installments of \$35,000 plus interest semi-annually at 5.00% - 5.35% through June 1, 2010	210,000	(35,000)	175,000	35,000
Drain bonds - Shebeon Intercounty Drain; due in annual installments of \$225,000 plus interest semi-annually at 5.40% - 5.50% through June 1, 2010	1,350,000	(225,000)	1,125,000	225,000
Drain bonds - Harbor Beach Consolidated Drain; due in annual installments of \$50,000 - \$100,000 plus interest semi-annually at 4.75% - 5.50% through June 1, 2020	1,125,000	(50,000)	1,075,000	50,000
Drain bonds - Beaubien Drain; due in annual installments of \$50,000 plus interest semi-annually at 4.90% - 5.15% through June 1, 2011	350,000	(50,000)	300,000	50,000
Drain bonds - Cameron Drain; due in annual installments of \$30,000 - \$35,000 plus interest semi-annually at 4.10% - 5.00% through June 1, 2013	295,000	(30,000)	265,000	30,000
Drain bonds - Taft Drain; due in annual installments of \$65,000 - \$70,000 plus interest semi-annually at 3.60% - 4.45% through June 1, 2012	530,000	(65,000)	465,000	65,000
Drain bonds - Filion Drain; due in annual installments of \$40,000 plus interest semi-annually at 3.45% through June 1, 2018	560,000	(40,000)	520,000	40,000
Drain bonds - Willow Creek Drain; due in annual installments of \$125,000 - \$150,000 plus interest semi-annually at 3.00% - 4.00% through June 1, 2020	-	2,210,000	2,210,000	135,000
Drain bonds - Cook Drain; due in annual installments of \$35,000 plus interest semi-annually at 2.75% - 4.35% through June 1, 2017	-	420,000	420,000	35,000
Drain bonds - Sebewaing River Intercounty Drain; due in annual installments of \$102,000 - \$110,000 plus interest semi-annually at 2.00% - 3.80% through June 1, 2014	-	1,082,000 (100,000)	982,000	102,000
Total drain funds debt	9,592,603	2,368,465	11,961,068	1,580,635

Notes to Combined Financial Statements
December 31, 2005
(Continued)

Motor Vehicle Highway Fund debt secured by highway funds (backed by full faith and credit of the County):

	<u>Balance January 1, 2005</u>	<u>Additions (Retirements)</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Drain assessment - Allen Drain; due in annual installments of \$27,484 plus interest semi-annually at various rates through June 1, 2012	192,386	(27,483)	164,903	27,484
Drain assessment - Shebeon Drain; due in annual installments of \$64,934 plus interest semi-annually at various rates through June 1, 2009	324,668	(64,934)	259,734	64,934
Lease purchase - Caterpillar Financial; due in monthly installments of \$18,081 including interest at 5.50% through May 10, 2005	216,973	(216,973)	-	-
Lease purchase - Caterpillar Financial; due in monthly installments of \$2,911 including interest at 4.25% through November 1, 2007	185,299	(27,591)	157,708	26,340
Lease purchase - Caterpillar Financial; due in monthly installments of \$3,100 including interest at 4.15% through June 1, 2008	-	205,345 (20,079)	185,266	27,525
Total highway debt	919,326	(151,715)	767,611	146,283
Other debt:				
Vested vacation and sick leave -				
Huron County Road Commission	545,085	(45,219)	499,866	-
Huron Behavioral Health	412,063	15,643	427,706	-
Total component unit debt	<u>\$ 16,911,379</u>	<u>\$ 1,916,348</u>	<u>\$ 18,827,727</u>	<u>\$ 2,156,918</u>

The annual principal and interest requirements, excluding installment contracts, for the years ending December 31, 2006 through 2022 are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Discretely Presented Component Units</u>
2006	\$ 178,198	\$ 227,130	\$ 2,733,885
2007	178,848	221,130	3,092,741
2008	173,972	214,630	2,305,372
2009	178,534	212,380	2,211,091
2010	177,776	-	2,041,859
2011 - 2015	176,588	-	6,251,990
2016 - 2020	-	-	2,245,349
2021 - 2022	-	-	73,450
	<u>\$ 1,063,916</u>	<u>\$ 875,270</u>	<u>\$ 20,955,737</u>

The following is a summary of commitments, including interest, under installment contracts and lease purchases.

2006	\$	41,314
2007		22,246
2008		<u>1,723</u>
	\$	<u>65,283</u>

IV. OTHER INFORMATION

A. Risk Management

Primary government

The County is self-insured for workers' compensation and health care benefits.

Workers' compensation

All County funds, except for Huron Transit, Parks and Airport Funds, make payments to the Workers' Compensation Fund (Internal Service) based on annually determined percentages of gross wages. These payments are reported as charges for services in the paying fund and charges for services in the receiving fund.

The County is self-insured for individual claims up to \$275,000 and total claims per year up to \$739,500. The County purchases commercial insurance for claims in excess of these amounts. The County has recorded a liability of \$174,586 for accrued claims including an estimate for claims incurred but not reported (IBNR). This liability has been reduced by \$25,000 representing reinsurance reserves for claims over the maximum limits. The Workers' Compensation Fund evaluates each claim periodically and estimates the total expected cost. Reserves for unknown future losses are not established. The claims liability at December 31, 2005 is listed below.

Health care benefits

In June 2003, the County established a self-insured health care benefit plan. This plan is administered by a third party and is accounted for in the Fringe Benefits Fund (Internal Service). Under the plan, the County pays claims up to \$25,000 per contract. The County purchases stop loss insurance for claims in excess of this limit. The County records a liability for unpaid claims, including incurred but not reported claims (IBNR).

The changes in claims liabilities during 2005 were as follows:

	<u>Workers Compensation</u>	<u>Health Care Benefits</u>	<u>Total</u>
Unpaid claims, December 31, 2004	\$ 189,250	\$ 304,272	\$ 493,522
Provision for claims	57,801	1,378,104	1,435,905
Claims paid	<u>(72,465)</u>	<u>(1,396,632)</u>	<u>(1,469,097)</u>
Unpaid claims, December 31, 2005	<u>\$ 174,586</u>	<u>\$ 285,744</u>	<u>\$ 460,330</u>

The self-insured health care benefit plan referred to above is not utilized by the Medical Care Facility Fund, Huron Transit Fund, Parks and Airport Funds. Those funds purchase commercial insurance for employee health care benefits.

Partial self-insurance - general liability

The County is a member of the Michigan Municipal Risk Management Authority. As a member of the Authority, the County is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the County's maximum loss per occurrence is limited as follows:

	Maximum Retention Per Occurrence
General liability	\$75,000
Auto physical damage	\$15,000 per vehicle
Auto physical damage	\$30,000 per occurrence
Property coverage	10% of the first \$100,000 after \$1,000 deductible

Losses in excess of these occurrence limits are covered by reinsurance up to \$9,250,000.

The Huron County Health Department participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million and \$5 million, respectively. This fund is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The Parks Fund and the Airport Fund are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Parks Fund has obtained insurance coverage for these risks through the Huron County Road Commission as a member of the Michigan County Road Commission Self Insurance Pool, a public entity risk pool. The MCRCSIP currently operates as a common risk management and insurance program which charges annual premiums to its members for coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event.

The Huron Transit Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self-insurance pool) to account for and finance these risks of loss. Currently, the Pool has two separate loss protection programs known as (1) the Liability Coverage Program and (2) the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Generally, the Corporation's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Deposit Premiums</u>	<u>Maximum Retention Per Occurrence</u>	<u>Coverage Limit Per Occurrence</u>
Motor vehicle and general liability	\$ 57,673	\$ 100,000	\$ 1,000,000
Direct property damage	\$ 14,804	\$ 10,000	Book value of property

If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.

Members pay directly the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Corporation reports its required contribution to these programs as insurance expense for the period of coverage. Additional assessments, which are considered likely, are accrued in accordance with FASB Statement No. 5. Any dividends or returns of contributions are recognized as a reduction of expense at the time the dividend is declared.

The Huron County Medical Care Facility purchases commercial insurance through private carriers. Management believes such coverage is sufficient to preclude any material loss to the County.

Component units

Road Commission

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management and insurance program which charges an annual premium to its members for insurance coverage. The pool is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of \$10 million for each insured event. The MCRCSIP provides general liability, casualty and fleet coverage to the Road Commission, and acts as an agent for the Road Commission by purchasing commercial insurance for underground storage tank liability.

The Road Commission is also a member of the Michigan County Road Association Self-Insurance Fund, a public entity risk pool providing risk management for worker's compensation. The Road Commission also continues to carry commercial insurance for employee health coverage.

At December 31, 2005, there were no claims that exceeded insurance coverage. The Road Commission had no significant reduction in insurance coverage from the previous year.

Huron Behavioral Health**General Liability**

Huron Behavioral Health participates in the Michigan Municipal Risk Management Authority, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participating in the pool constitutes transfer of the risk for significant losses to the pool with a liability limit of \$10 million. The Authority is required to pay annual premiums to the Michigan Municipal Risk Management Authority for the liability coverage. The Authority reduced their liability insurance coverage by \$5 million and settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The Authority also purchased commercial insurance coverage for losses related to their property, automobiles and commercial general liability.

Workers' compensation

Huron Behavioral Health purchased commercial insurance to provide coverage of losses related to workers' compensation claims. The workers' compensation insurance provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim.

Employee health care

For its risk of losses related to providing health care benefits to its employees and their dependents, the Authority established a partial self-insurance plan to cover claims for the medical costs of its employees and their dependents. The partial self-insurance plan provided coverage of up to \$609,924 of total medical care claims for the calendar year of 2005. For claims in excess of coverage of \$609,924, the Authority has purchased commercial insurance. Commercial insurance has also been purchased to provide vision and dental benefits for the employees of Huron Behavioral Health and their dependents. As of September 30, 2005, the Authority has paid medical care claims in the amount of \$824,571 and received reimbursements in the amount of \$114,334 for medical costs paid in excess of the aggregate stop loss limit for the calendar year 2005. Also, the Authority has recognized as an expense, twelve months of amortization of the maximum loss for medical claims in the amount of \$951,308 as of September 30, 2005.

B. Contingent Liabilities

Various claims and lawsuits are pending against the County. The County has sufficient insurance coverage and would only be liable up to \$75,000 on each case settled in the plaintiff's favor. In the opinion of the County's management and legal counsel, the potential loss on all claims and lawsuits will not be significant to the County's financial statements.

Various suits involving personal injury claims have been filed or are pending against the Road Commission. The only direct financial responsibility that the Road Commission has concerning the above claims is the payment of a \$1,000 deductible, per occurrence, to the Michigan County Road Commission Self-Insurance Pool. The Road Commission is afforded coverage through the Pool with more than sufficient limits to cover any settlement or adverse judgment.

C. Property Taxes

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes become delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2005, the County recognized the full December 1, 2004 levy and the July 1, 2005 levy, which represents one-third of the total tax levy for calendar 2005. In 2006, two-thirds of the County property tax will be levied July 1 and then in 2007, and for each year thereafter, all of the County property tax will be levied July 1.

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2004 levy, for which revenue was recognized in fiscal 2005, was \$1.4 million. The general operating tax rate for this levy was at the maximum rate of 4.3807 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.1991 mills for the Older Citizens Fund and 0.9971 mills for the Primary Road Fund, 0.4887 mills for the Medical Care Facility, and 0.1991 mills for Huron Transit operations.

The assessed and taxable value of real and personal property for the July 1, 2005 levy, for which revenue was recognized in fiscal 2005, was \$1.4 million. The general operating tax rate for this levy was at the maximum rate of 4.3807 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Retirement Plan

Plan description

The County, Road Commission, and Huron Behavioral Health contribute to defined benefit pension plans with the Michigan Municipal Employees Retirement System (MERS). Separate actuarial valuations are obtained for the County general employees (primary government), for the Road Commission employees and for the Behavioral Health employees (component units).

MERS is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 1134 Municipal Way, Lansing MI 48917 or by calling 1-800-767-6377.

Funding policy

Employees are required to contribute 3% of their annual earnings up to \$4,200 and 5% thereafter to the System. The County, Road Commission, and Huron Behavioral Health are required to contribute at an actuarially determined rate.

Primary government

Annual pension cost

For 2005, the County's annual pension cost was equal to their required contribution. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected salary increases ranging from 4.5% to 8.66% per year, and (c) a 2.5% per year cost-of-living adjustment. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2003	852,264	100%	-
12/31/2004	989,196	100%	-
12/31/2005	954,755	100%	-

Road Commission

Annual pension cost

For 2005, the Road Commission made actual contributions of \$192,655 which were made based on the payroll paid rather than the estimated payroll used in the actuarial valuation. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, (b) projected merit and longevity wage increases ranging from 4.5% to 12.9% per year, with a projected annual payroll increase of 4.5%, (c) a mortality table projecting the number of members who will die before retirement and the duration of benefit payments after retirement, (d) assumed retirement rates projecting when members will retire and commence receiving retirement benefits, and (e) a set of withdrawal and disability rates to estimate the number of members who will leave the work force before retirement. The Road Commission's unfunded actuarial accrued liability is being amortized as a level of percentage payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2003	121,044	100%	-
12/31/2004	162,144	100%	-
12/31/2005	179,532	100%	-

Huron Behavioral Health

Annual pension cost

For the year ended September 30, 2005, the Authority's annual pension cost of \$233,468 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8% investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 3%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll.

Three year trend information is as follows:

<u>Year Ending</u>	<u>Annually Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2003	212,251	100%	-
12/31/2004	234,795	100%	-
12/31/2005	233,468	100%	-

E. Post-employment Benefits

In addition to pension benefits, the County provides the following benefits to employees who retire.

Health insurance

The County provides post-retirement health care benefits to eligible employees who retire from the County. For employees hired prior to 1997, eligibility depends on minimum years of service ranging from ten to fifteen years and a minimum age of 55 to 60 years. For employees hired after 1996, employees must reach age 60 and must have worked for the County for twenty-five years. For those employees hired prior to 1997, the County pays from 50% to 100% of the insurance. These benefits terminate upon the death of the retired County employee.

The County pays the cost of the benefit out of the Retiree's Health Insurance Fund (a Special Revenue fund). The County General Fund transfers the estimated cost of the benefit to this fund. As of December 31, 2005, the fund balance of this fund was \$111,495. During the year ended December 31, 2005, the County's net expense for premiums paid was \$391,874. Benefits were paid on behalf of 43 former employees.

The Health Department pays the cost of the benefit out of the Health Fund (a Special Revenue fund). During the year ended September 30, 2005, the Health Fund's net expenses for premiums paid was \$50,984. Benefits were paid on behalf of 10 former employees.

The Road Commission provides optional health insurance through Blue Cross to its retired employees depending on their age. The Board pays the premiums for each employee that retires prior to being 65 years old, for a maximum of three years, or until they reach age 65. Those employees who retire or continue coverage after age 65 may obtain coverage through the Road Commission, but are responsible for the full cost of all premiums. For the year ended December 31, 2005, premiums paid by the Road Commission for 8 retired employees were \$46,575 while employee-paid premiums totaled \$254,374. All of the post-employment benefits provided are included in agreements between the Board and employee groups, with all required Board premiums being funded on a pay-as-you-go basis.

Huron Behavioral Health provides post-employment benefit options for group health insurance to eligible retirees and their dependents. The benefits are provided in accordance with Authority policy. The criteria to determine eligibility includes years of service and employee age. The Authority funds the benefits on a pay-as-you-go basis. Employees with at least 10 years of full time service and age 55 or older are required to pay 50% of the group health insurance premiums with the Authority paying the remaining portion of the premiums. Employees with at least 15 years of full time service and age 55 or older are required to pay 25% of group health insurance premiums with the authority paying the remaining portion of premiums. Employees with at least 20 years of full time service and age 55 or older; or that have at least 10 years of full time service and age 60 or older are not required to contribute to the payment of their group health insurance premiums. During the year ended September 30, 2005, expenditures (net of participant contributions) of \$64,187 were recognized for post-employment benefits. There are 11 participants currently eligible to receive post-employment health benefits.

Life insurance

The Road Commission pays the premium for a group life insurance policy in the amount of \$3,000 to \$15,000, for each retired employee. For the year ended December 31, 2005, the Road Commission paid \$1,933 in life insurance premiums on behalf of 33 retired employees. During 2002, the Road Commission elected to drop commercial life insurance policies for the retired employees with \$1,000 of coverage. Instead, they have opted to self-insure the lives of these 11 retired employees. During the year ended December 31, 2005, there were no claims paid under this self-insurance policy, and 11 retirees remaining under this system.

F. Deferred Compensation Plan**General, Road Commission and Huron Behavioral Health employees**

Huron County offers all County employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted for any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances are not reflected in Huron County's financial statements.

Huron Transit employees

Huron Transit Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of Huron Transit Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provision of GASB Statement No. 32, plan balances and activities are not reflected in Huron Transit Corporation's financial statements. Employer contributions for the year were \$1,703.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

G. Fund Equity**Reserved fund balance**

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2005:

Primary government			
General fund	Long-term advances	\$	217,000
Special revenue funds			
Parks	Capital projects	\$	61,736
Enterprise funds			
Delinquent tax revolving fund	Foreclosure	\$	242,067
	Tax administration	\$	85,040

H. Subsequent Events

The Medical Care Facility Board has approved a \$1,200,000 capital improvement for 2006. The project will be funded with cash reserves.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

General Employees

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1998	23,474,992	28,064,255	4,589,263	84%	8,151,472	56.30%
12/31/1999	27,358,448	30,265,971	2,907,523	90%	8,086,663	35.95%
12/31/2000	30,373,411	34,234,624	3,861,213	89%	8,191,487	47.14%
12/31/2001	32,573,682	37,022,196	4,448,514	88%	8,204,814	54.22%
12/31/2002	33,600,643	40,094,112	6,493,469	84%	8,509,627	76.31%
12/31/2003	36,153,877	42,505,517	6,351,640	85%	8,449,846	75.17%
12/31/2004	38,430,807	44,592,814	6,162,007	86%	8,222,689	74.94%

Road Commission Employees

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1998	13,879,361	11,977,091	(1,902,270)	116%	1,973,483	0.00%
12/31/1999	15,441,579	13,160,201	(2,281,378)	117%	2,273,748	0.00%
12/31/2000	16,313,899	15,881,803	(432,096)	103%	2,387,777	0.00%
12/31/2001	16,673,821	16,982,168	308,347	98%	2,601,414	11.85%
12/31/2002	16,288,042	17,365,850	1,077,808	94%	2,690,619	40.06%
12/31/2003	16,525,788	17,963,908	1,438,120	92%	2,693,384	53.39%
12/31/2004	16,822,950	19,148,577	2,325,627	88%	2,801,817	83.00%

Schedule of Funding Progress

Huron Behavioral Health

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
12/31/1998	3,701,049	3,781,677	80,628	98%	1,785,156	4.52%
12/31/1999	4,450,609	4,323,070	(127,539)	103%	1,978,712	0.00%
12/31/2000	5,028,314	4,852,899	(175,415)	104%	2,065,726	0.00%
12/31/2001	5,626,469	5,720,701	94,232	98%	2,420,685	3.89%
12/31/2002	6,103,433	6,243,065	139,632	98%	2,522,510	5.54%
12/31/2003	6,898,603	6,770,608	(127,995)	102%	2,451,174	0.00%
12/31/2004	7,668,572	8,006,982	338,410	96%	2,792,539	12.12%

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 6,025,391	\$ 6,025,391	\$ 5,907,034	\$ (118,357)
Licenses and permits	43,750	63,450	64,092	642
Federal grants	253,880	452,442	466,531	14,089
State grants	1,612,410	978,839	926,145	(52,694)
Charges for services	1,665,811	2,013,777	1,984,107	(29,670)
Fines and forfeitures	90,000	108,500	108,790	290
Interest	40,040	123,040	123,884	844
Rents	305,110	305,110	302,656	(2,454)
Other	22,100	33,500	70,582	37,082
Total revenues	10,058,492	10,104,049	9,953,821	(150,228)
Expenditures:				
Legislative	209,630	210,830	210,774	56
Judicial	1,488,507	1,525,007	1,501,724	23,283
General government	2,184,798	2,240,494	2,163,783	76,711
Public safety	2,788,829	3,031,291	2,911,531	119,760
Public works	327,031	327,231	327,032	199
Health and welfare	289,214	296,146	278,998	17,148
Economic development	65,800	65,800	65,800	-
Recreation and cultural	50,671	61,671	61,598	73
Other	1,681,494	1,919,288	1,641,391	277,897
Debt service				
Principal	140,000	140,000	140,000	-
Interest	37,200	37,200	37,173	27
Total expenditures	9,263,174	9,854,958	9,339,804	515,154
Excess of revenues over expenditures	795,318	249,091	614,017	364,926
Other financing sources (uses):				
Operating transfers in	460,879	1,136,429	1,136,429	-
Operating transfers out	(1,256,197)	(1,385,520)	(1,340,520)	45,000
Total other financing sources (uses)	(795,318)	(249,091)	(204,091)	45,000
Excess of revenues and other financing sources over expenditures and other financing uses	-	-	409,926	409,926
Fund balance, beginning of year	519,260	519,260	519,260	-
Fund balance, end of year	\$ 519,260	\$ 519,260	\$ 929,186	\$ 409,926

Huron County, Michigan

General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Legislative:				
Board of commissioners	\$ 209,630	\$ 210,830	\$ 210,774	\$ 56
Judicial:				
Circuit court	175,642	176,242	176,186	56
Circuit court - family division	31,677	31,677	31,476	201
District court	452,787	452,787	447,748	5,039
Friend of the court	211,541	217,941	217,918	23
Jury commission	2,575	2,575	2,375	200
Probate court	273,152	273,152	268,188	4,964
Juvenile agent	177,559	188,359	188,308	51
Public guardian	105,193	114,893	114,878	15
Adult probation	1,000	1,000	260	740
Comm corrections advisory board	34,389	43,389	32,844	10,545
Comm corrections planning	21,992	21,992	21,543	449
Family counseling	1,000	1,000	-	1,000
Total judicial	1,488,507	1,525,007	1,501,724	23,283
General government:				
Elections	10,000	26,150	23,282	2,868
Legal counsel	34,058	34,058	25,385	8,673
County clerk	202,321	202,321	201,579	742
Equalization	147,351	148,197	145,098	3,099
Prosecuting attorney	422,748	425,748	424,140	1,608
Register of deeds	120,779	120,779	111,544	9,235
Tax mapping	79,254	80,154	80,149	5
County survey remonumentation	136,186	136,186	123,463	12,723
County treasurer	137,355	156,655	151,112	5,543
Computer information systems	195,660	192,860	192,819	41
GIS	12,300	12,300	9,584	2,716
Building authority	1,250	1,250	-	1,250
MSU extension	137,485	137,485	117,784	19,701
Huron county annex	20,100	21,300	21,270	30
Courthouse & grounds	298,907	312,507	312,446	61
Expo center	9,800	12,700	12,677	23
County property	17,100	17,100	12,312	4,788
County vehicle maintenance	12,000	12,000	9,301	2,699
Drain commission	148,074	148,374	148,384	(10)
MSU parenting program	25,000	25,000	24,164	836
Huron soil conservation district	9,000	9,000	9,000	-
Underground water supply	8,070	8,370	8,290	80
Total general government	2,184,798	2,240,494	2,163,783	76,711

General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2005
(Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Public safety:				
Sheriff	1,380,922	1,395,922	1,384,521	11,401
Criminal justice training	5,000	5,000	3,208	1,792
Victim advocate	1,000	1,000	932	68
Marine safety	61,216	61,216	25,781	35,435
Secondary road patrol	134,402	134,402	123,457	10,945
Firefighters training	3,800	5,000	4,719	281
Jail operations	1,029,777	1,067,077	1,022,069	45,008
Emergency service	75,720	255,882	242,090	13,792
Planning commission				
Board of appeals	43,201	44,201	44,225	(24)
Plat board	555	555	-	555
Ambulance	25,700	25,700	25,200	500
Animal control	27,536	35,336	35,329	7
Total public safety	2,788,829	3,031,291	2,911,531	119,760
Public works:				
Department of public works	1,132	1,132	943	189
Drain at-large	319,899	319,899	319,899	-
County landfills	6,000	6,200	6,190	10
Total public works	327,031	327,231	327,032	199
Health and welfare:				
Influence of land use/water quality	-	6,500	6,500	-
Medical examiners	16,150	16,150	7,415	8,735
Mental health	251,977	252,409	252,409	-
Veterans burials	5,900	5,900	4,640	1,260
Veterans counselor	15,187	15,187	8,034	7,153
Total health and welfare	289,214	296,146	278,998	17,148
Economic development:				
Economic development corporation	65,800	65,800	65,800	-
Recreation and cultural:				
Ice arena	42,671	53,671	53,598	73
Fair board	7,000	7,000	7,000	-
Nature center	1,000	1,000	1,000	-
Total recreation and cultural	50,671	61,671	61,598	73

General Fund
Schedule of Expenditures by Activity
Budget and Actual
For the Year Ended December 31, 2005
(Continued)

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Other:				
Employees' hospital insurance	1,311,350	1,311,350	1,336,300	(24,950)
Insurance	241,258	241,258	240,348	910
Other fringe benefits	-	-	30	(30)
Unemployment insurance	2,350	2,350	160	2,190
Bonds	6,800	6,800	6,458	342
Workmen's comp insurance	70,000	70,000	58,095	11,905
Contingency	49,736	287,530	-	287,530
Total other	1,681,494	1,919,288	1,641,391	277,897
Debt service:				
Principal	140,000	140,000	140,000	-
Interest and paying agent fees	37,200	37,200	37,173	27
Total debt service	177,200	177,200	177,173	27
Total expenditures	<u>\$ 9,263,174</u>	<u>\$ 9,854,958</u>	<u>\$ 9,339,804</u>	<u>\$ 515,154</u>

General Fund
Schedule of Operating Transfers
Budget and Actual
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Transfers In:				
100% Tax payment	\$ 460,879	\$ 460,879	\$ 460,879	\$ -
Revenue reserve	-	675,550	675,550	-
Total operating transfers in	<u>\$ 460,879</u>	<u>\$ 1,136,429</u>	<u>\$ 1,136,429</u>	<u>\$ -</u>
 Operating Transfers Out:				
Child care	\$ 484,000	\$ 604,000	\$ 604,000	\$ -
Health department				
Contagious disease	20,000	20,000	20,000	-
Family Independence Agency	13,000	13,000	13,000	-
Soldiers' relief	1,600	1,600	1,600	-
Health department	229,597	230,920	230,920	-
Airport	85,000	85,000	85,000	-
Retirees' health insurance	400,000	400,000	355,000	45,000
Law library	23,000	31,000	31,000	-
Total operating transfers out	<u>\$ 1,256,197</u>	<u>\$ 1,385,520</u>	<u>\$ 1,340,520</u>	<u>\$ 45,000</u>

Special Revenue Fund
Health Department
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Licenses and permits	\$ 184,921	\$ 168,540	\$ 180,799	\$ 12,259
Federal grants	212,703	158,658	782,691	624,033
State grants	763,671	856,752	291,620	(565,132)
Charges for services	605,644	723,174	819,565	96,391
Other	23,550	61,225	73,919	12,694
Total revenues	1,790,489	1,968,349	2,148,594	180,245
Expenditures:				
Health and welfare	2,125,741	2,274,197	2,478,280	(204,083)
Excess of revenues under expenditures	(335,252)	(305,848)	(329,686)	(23,838)
Other financing sources:				
Operating transfers in	257,250	281,827	276,627	(5,200)
Excess of revenues and other financing sources under expenditures	(78,002)	(24,021)	(53,059)	(29,038)
Fund balance, beginning of year	649,432	649,432	649,432	-
Fund balance, end of year	\$ 571,430	\$ 625,411	\$ 596,373	\$ (29,038)

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 1,380,445	\$ 1,380,445	\$ 1,360,306	\$ (20,139)
State grants	26,937	26,937	-	(26,937)
Interest	3,850	3,850	13,565	9,715
Total revenues	1,411,232	1,411,232	1,373,871	(37,361)
Expenditures:				
Other	1,425,232	1,425,232	1,384,992	40,240
Excess of revenues over (under) expenditures	(14,000)	(14,000)	(11,121)	2,879
Fund balance, beginning of year	17,705	17,705	17,705	-
Fund balance, end of year	<u>\$ 3,705</u>	<u>\$ 3,705</u>	<u>\$ 6,584</u>	<u>\$ 2,879</u>

Special Revenue Funds
Revenue Reserve
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues:				
Taxes	\$ 1,976,360	\$ 1,976,360	\$ 1,976,361	\$ 1
Interest	21,218	21,218	20,939	(279)
Total revenues	1,997,578	1,997,578	1,997,300	(278)
Other financing uses:				
Operating transfers out	(675,550)	(675,550)	(675,550)	-
Excess of revenues and other financing uses over (under) expenditures	1,322,028	1,322,028	1,321,750	(278)
Fund balance, beginning of year	1,530,286	1,530,286	1,530,286	-
Fund balance, end of year	<u>\$ 2,852,314</u>	<u>\$ 2,852,314</u>	<u>\$ 2,852,036</u>	<u>\$ (278)</u>

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

	<u>Parks</u>	<u>Probation Officer Compliance</u>	<u>Friend of the Court</u>
Assets			
Cash and cash equivalents	\$ 615,905	\$ -	\$ -
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts and interest	-	-	-
Due from other funds	50,321	-	153,277
Due from other governmental units	15,344	-	-
Advances	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 681,570</u>	<u>\$ -</u>	<u>\$ 153,277</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to component units	457,085	-	-
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	457,085	-	-
Fund balance:			
Reserved			
Capital projects	61,736	-	-
Unreserved	162,749	-	153,277
	<u>224,485</u>	<u>-</u>	<u>153,277</u>
Total fund balance	<u>224,485</u>	<u>-</u>	<u>153,277</u>
Total liabilities and fund balance	<u>\$ 681,570</u>	<u>\$ -</u>	<u>\$ 153,277</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2005

SPECIAL REVENUE FUNDS

Public Improvement Fund	Building Department	Homestead Pre-Audit	Register of Deeds Automation	Disaster Contingency Fund
\$ 71,887	\$ -	\$ 1,641	\$ 46,777	\$ -
-	-	-	-	-
-	-	-	-	-
-	112,631	-	-	2,500
-	-	-	-	-
<u>\$ 71,887</u>	<u>\$ 112,631</u>	<u>\$ 1,641</u>	<u>\$ 46,777</u>	<u>\$ 2,500</u>
\$ 8,634	\$ 705	\$ -	\$ 18	\$ -
-	7,267	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,634	7,972	-	18	-
-	-	-	-	-
63,253	104,659	1,641	46,759	2,500
63,253	104,659	1,641	46,759	2,500
<u>\$ 71,887</u>	<u>\$ 112,631</u>	<u>\$ 1,641</u>	<u>\$ 46,777</u>	<u>\$ 2,500</u>

SPECIAL REVENUE FUNDS

	Local Correction Officer's Training	Airport	Emergency Phone Service Wired
Cash and cash equivalents	\$ -	\$ 268	\$ 138,815
Investments	-	-	300,000
Receivables			
Property taxes	-	-	-
Accounts and interest	-	-	109,051
Due from other funds	3,922	25,034	47,191
Due from other governmental units	-	-	-
Advances	-	36,433	-
Total assets	<u>\$ 3,922</u>	<u>\$ 61,735</u>	<u>\$ 595,057</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 5,637
Accrued liabilities	-	-	11,937
Due to other funds	-	-	-
Due to component units	-	33,793	-
Due to other governmental units	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	33,793	17,574
Fund balance:			
Reserved			
Capital projects	-	-	-
Unreserved	3,922	27,942	577,483
Total fund balance	<u>3,922</u>	<u>27,942</u>	<u>577,483</u>
Total liabilities and fund balance	<u>\$ 3,922</u>	<u>\$ 61,735</u>	<u>\$ 595,057</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2005
(Continued)

SPECIAL REVENUE FUNDS

Emergency Phone Service Wireless	Drug Law Enforcement	Law Library	Community Development Grant	Revolving Loan Fund
\$ -	\$ 500	\$ -	\$ -	\$ 282,362
-	-	-	-	-
-	-	-	-	-
-	-	-	-	224,134
13	7,658	1,525	-	-
-	-	-	8,068	-
-	-	-	-	-
<u>\$ 13</u>	<u>\$ 8,158</u>	<u>\$ 1,525</u>	<u>\$ 8,068</u>	<u>\$ 506,496</u>
\$ -	\$ -	\$ -	\$ 8,068	\$ -
-	-	-	-	-
-	-	-	-	12,000
-	-	-	-	-
-	-	-	-	-
-	-	-	-	224,134
-	-	-	-	-
-	-	-	8,068	236,134
-	-	-	-	-
13	8,158	1,525	-	270,362
13	8,158	1,525	-	270,362
<u>\$ 13</u>	<u>\$ 8,158</u>	<u>\$ 1,525</u>	<u>\$ 8,068</u>	<u>\$ 506,496</u>

SPECIAL REVENUE FUNDS

	Department of Human Services	Child Care	Soldiers' Relief
Assets			
Cash and cash equivalents	\$ 17,111	\$ -	\$ -
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Accounts and interest	-	-	-
Due from other funds	29,789	64,564	1,399
Due from other governmental units	10,548	6,459	-
Advances	-	-	-
Total assets	<u>\$ 57,448</u>	<u>\$ 71,023</u>	<u>\$ 1,399</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 4,898	\$ 70,301	\$ -
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to component units	-	-	-
Due to other governmental units	39,000	-	-
Deferred revenue	252	-	-
Total liabilities	44,150	70,301	-
Fund balance:			
Reserved			
Capital projects	-	-	-
Unreserved	13,298	722	1,399
Total fund balance	<u>13,298</u>	<u>722</u>	<u>1,399</u>
Total liabilities and fund balance	<u>\$ 57,448</u>	<u>\$ 71,023</u>	<u>\$ 1,399</u>

Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2005
(Continued)

<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUND</u>	
<u>Veterans' Trust</u>	<u>Older Citizens' Fund</u>	<u>Retirees' Health Insurance</u>	<u>Building Authority</u>	<u>Total</u>
\$ -	\$ 347,232	\$ 108,036	\$ -	\$ 1,630,534
-	-	-	-	300,000
-	290,718	-	-	290,718
-	-	-	-	333,185
843	-	3,459	-	504,126
-	-	-	-	40,419
-	-	-	-	36,433
<u>\$ 843</u>	<u>\$ 637,950</u>	<u>\$ 111,495</u>	<u>\$ -</u>	<u>\$ 3,135,415</u>
\$ -	\$ -	\$ -	\$ -	98,261
-	-	-	-	19,204
-	-	-	-	12,000
-	-	-	-	490,878
-	-	-	-	39,000
-	290,718	-	-	515,104
-	290,718	-	-	1,174,447
-	-	-	-	61,736
843	347,232	111,495	-	1,899,232
843	347,232	111,495	-	1,960,968
<u>\$ 843</u>	<u>\$ 637,950</u>	<u>\$ 111,495</u>	<u>\$ -</u>	<u>\$ 3,135,415</u>

SPECIAL REVENUE FUNDS

	<u>Parks</u>	<u>Probation Officer Compliance</u>	<u>Friend of the Court</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grants	-	-	-
State grants	202,573	-	-
Charges for services	-	-	9,950
Fines and forfeitures	-	-	-
Interest	6,065	-	-
Rents	997,725	-	-
Other	-	-	-
Total revenues	1,206,363	-	9,950
Expenditures:			
Current			
Judicial	-	1,577	8,622
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Economic development	-	-	-
Recreation and cultural	1,227,795	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	1,227,795	1,577	8,622
Excess of revenues over (under) expenditures	(21,432)	(1,577)	1,328
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Special items:			
Sale of Easement/Land	-	-	-
Net change in fund balance	(21,432)	(1,577)	1,328
Fund balance, beginning of year	245,917	1,577	151,949
Fund balance, end of year	\$ 224,485	\$ -	\$ 153,277

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2005

SPECIAL REVENUE FUNDS

Public Improvement Fund	Building Department	Homestead Pre-Audit	Register of Deeds Automation	Disaster Contingency Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	443,785	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	49,725	-
-	-	-	-	-
2,096	-	3,141	299	-
-	-	-	-	-
-	69	-	-	-
<u>2,096</u>	<u>443,854</u>	<u>3,141</u>	<u>50,024</u>	<u>-</u>
-	-	-	-	-
52,379	-	1,500	51,400	-
-	383,493	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>52,379</u>	<u>383,493</u>	<u>1,500</u>	<u>51,400</u>	<u>-</u>
(50,283)	60,361	1,641	(1,376)	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
<u>42,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(8,091)	60,361	1,641	(1,376)	-
71,344	44,298	-	48,135	2,500
<u>\$ 63,253</u>	<u>\$ 104,659</u>	<u>\$ 1,641</u>	<u>\$ 46,759</u>	<u>\$ 2,500</u>

SPECIAL REVENUE FUNDS

	Local Correction Officer's Training	Airport	Emergency Phone Service Wired
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grants	-	-	-
State grants	-	-	-
Charges for services	10,580	1,261	810,638
Fines and forfeitures	-	-	-
Interest	-	-	9,277
Rents	-	10,000	-
Other	-	107	-
Total revenues	10,580	11,368	819,915
Expenditures:			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	10,100	-	651,370
Public works	-	111,659	-
Health and welfare	-	-	-
Economic development	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	1,433	-
Interest and fees	-	290	-
Total expenditures	10,100	113,382	651,370
Excess of revenues over (under) expenditures	480	(102,014)	168,545
Other financing sources (uses):			
Operating transfers in	-	85,000	-
Operating transfers out	-	-	(136,262)
Total other financing sources (uses)	-	85,000	(136,262)
Special items:			
Sale of Easement/Land	-	-	-
Net change in fund balance	480	(17,014)	32,283
Fund balance, beginning of year	3,442	44,956	545,200
Fund balance, end of year	\$ 3,922	\$ 27,942	\$ 577,483

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2005
(Continued)

SPECIAL REVENUE FUNDS

<u>Emergency Phone Service Wireless</u>	<u>Drug Law Enforcement</u>	<u>Law Library</u>	<u>Community Development Grant</u>	<u>Revolving Loan Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	279,558	-
-	-	-	-	-
111,162	-	-	-	-
-	-	4,500	-	-
-	-	-	-	15,263
-	-	-	-	-
-	-	-	-	26,838
<u>111,162</u>	<u>-</u>	<u>4,500</u>	<u>279,558</u>	<u>42,101</u>
-	-	34,268	-	-
-	-	-	-	-
111,162	500	-	-	-
-	-	-	-	-
-	-	-	279,558	29,672
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>111,162</u>	<u>500</u>	<u>34,268</u>	<u>279,558</u>	<u>29,672</u>
-	(500)	(29,768)	-	12,429
-	-	31,000	-	-
-	-	-	-	-
-	-	31,000	-	-
-	-	-	-	-
-	(500)	1,232	-	12,429
13	8,658	293	-	257,933
<u>\$ 13</u>	<u>\$ 8,158</u>	<u>\$ 1,525</u>	<u>\$ -</u>	<u>\$ 270,362</u>

SPECIAL REVENUE FUNDS

	Department of Human Services	Child Care	Soldiers' Relief
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Federal grants	-	-	-
State grants	178,723	62,183	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest	-	-	-
Rents	-	-	-
Other	6,623	46,864	-
Total revenues	185,346	109,047	-
Expenditures:			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	201,783	736,593	4,358
Economic development	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Debt service			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	201,783	736,593	4,358
Excess of revenues over (under) expenditures	(16,437)	(627,546)	(4,358)
Other financing sources (uses):			
Operating transfers in	13,000	604,000	1,600
Operating transfers out	-	-	-
Total other financing sources (uses)	13,000	604,000	1,600
Special items:			
Sale of Easement/Land	-	-	-
Net change in fund balance	(3,437)	(23,546)	(2,758)
Fund balance, beginning of year	16,735	24,268	4,157
Fund balance, end of year	\$ 13,298	\$ 722	\$ 1,399

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2005
(Continued)

<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUND</u>	
<u>Veterans' Trust</u>	<u>Older Citizens' Fund</u>	<u>Retirees' Health Insurance</u>	<u>Building Authority</u>	<u>Total</u>
\$ -	\$ 271,454	\$ -	\$ -	\$ 271,454
-	-	-	-	443,785
-	-	-	-	279,558
4,670	-	-	-	448,149
-	-	-	-	993,316
-	-	-	-	4,500
-	10,397	3,015	-	49,553
-	-	-	-	1,007,725
-	-	-	-	80,501
4,670	281,851	3,015	-	3,578,541
-	-	-	-	44,467
-	-	-	-	105,279
-	-	-	-	1,156,625
-	-	-	-	111,659
4,397	221,803	-	-	1,168,934
-	-	-	-	309,230
-	-	-	-	1,227,795
-	-	391,874	-	391,874
-	-	-	130,000	131,433
-	-	-	6,330	6,620
4,397	221,803	391,874	136,330	4,653,916
273	60,048	(388,859)	(136,330)	(1,075,375)
-	-	355,000	136,262	1,225,862
-	(33,000)	-	-	(169,262)
-	(33,000)	355,000	136,262	1,056,600
-	-	-	-	42,192
273	27,048	(33,859)	(68)	23,417
570	320,184	145,354	68	1,937,551
\$ 843	\$ 347,232	\$ 111,495	\$ -	\$ 1,960,968

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

PARKS

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 202,646	\$ 202,573	\$ (73)
Interest	-	6,065	6,065
Rents	<u>992,000</u>	<u>997,725</u>	<u>5,725</u>
Total revenues	1,194,646	1,206,363	11,717
Expenditures:			
Recreation and cultural	<u>1,225,000</u>	<u>1,227,795</u>	<u>(2,795)</u>
Excess of revenues over (under) expenditures	(30,354)	(21,432)	8,922
Fund balance, beginning of year	<u>245,917</u>	<u>245,917</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 215,563</u></u>	<u><u>\$ 224,485</u></u>	<u><u>\$ 8,922</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

PROBATION OFFICER COMPLIANCE

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
Judicial	<u>1,577</u>	<u>1,577</u>	<u>-</u>
Excess of revenues under expenditures	(1,577)	(1,577)	-
Fund balance, beginning of year	<u>1,577</u>	<u>1,577</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

FRIEND OF THE COURT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 4,000	\$ -	\$ (4,000)
Charges for services	<u>3,000</u>	<u>9,950</u>	<u>6,950</u>
Total revenues	7,000	9,950	2,950
Expenditures:			
Judicial	<u>12,350</u>	<u>8,622</u>	<u>3,728</u>
Excess of revenues over (under) expenditures	(5,350)	1,328	6,678
Fund balance, beginning of year	<u>151,949</u>	<u>151,949</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 146,599</u></u>	<u><u>\$ 153,277</u></u>	<u><u>\$ 6,678</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

PUBLIC IMPROVEMENT FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 2,100	\$ 2,096	\$ (4)
Expenditures:			
General government	43,800	52,379	(8,579)
Excess of revenues under expenditures	(41,700)	(50,283)	(8,583)
Other financing uses:			
Operating transfers out	(71,492)	-	71,492
Excess of revenues over (under) expenditures and other financing uses	(113,192)	(50,283)	62,909
Special items:			
Sale of Easement/Land	42,192	42,192	-
Net change in fund balance	(71,000)	(8,091)	62,909
Fund balance, beginning of year	71,344	71,344	-
Fund balance, end of year	<u>\$ 344</u>	<u>\$ 63,253</u>	<u>\$ 62,909</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

BUILDING DEPARTMENT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Licenses and permits	\$ 400,000	\$ 443,785	\$ 43,785
Other	250	69	(181)
Total revenues	400,250	443,854	43,604
Expenditures:			
Public safety	387,924	383,493	4,431
Excess of revenues over expenditures	12,326	60,361	48,035
Other financing uses:			
Operating transfers out	(12,326)	-	12,326
Excess of revenues over expenditures and other financing uses	-	60,361	60,361
Fund balance, beginning of year	44,298	44,298	-
Fund balance, end of year	\$ 44,298	\$ 104,659	\$ 60,361

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

HOMESTEAD PRE-AUDIT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ -	\$ 3,141	\$ 3,141
Expenditures:			
General government	-	1,500	(1,500)
Excess of revenues over expenditures	-	1,641	1,641
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ 1,641	\$ 1,641

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

REGISTER OF DEEDS AUTOMATION

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 55,000	\$ 49,725	\$ (5,275)
Interest	60	299	239
Total revenues	55,060	50,024	(5,036)
Expenditures:			
General government	64,700	51,400	13,300
Excess of revenues over (under) expenditures	(9,640)	(1,376)	8,264
Other financing uses:			
Operating transfers out	(14,360)	-	14,360
Excess of revenues over (under) expenditures and other financing uses	(24,000)	(1,376)	22,624
Fund balance, beginning of year	48,135	48,135	-
Fund balance, end of year	<u>\$ 24,135</u>	<u>\$ 46,759</u>	<u>\$ 22,624</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

DISASTER CONTINGENCY FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
General government	-	-	-
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	2,500	2,500	-
Fund balance, end of year	\$ 2,500	\$ 2,500	\$ -

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

LOCAL CORRECTION OFFICER'S TRAINING

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 11,000	\$ 10,580	\$ (420)
Expenditures:			
Public safety	11,000	10,100	900
Excess of revenues over expenditures	-	480	480
Fund balance, beginning of year	3,442	3,442	-
Fund balance, end of year	\$ 3,442	\$ 3,922	\$ 480

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

AIRPORT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 1,300	\$ 1,261	\$ (39)
Rents	10,100	10,000	(100)
Other	200	107	(93)
Total revenues	11,600	11,368	(232)
Expenditures:			
Public works	93,200	111,659	(18,459)
Debt service			
Principal	1,450	1,433	17
Interest and fees	300	290	10
Total expenditures	94,950	113,382	(18,432)
Excess of revenues under expenditures	(83,350)	(102,014)	(18,664)
Other financing sources:			
Operating transfers in	85,000	85,000	-
Excess of revenues and other financing sources over (under) expenditures	1,650	(17,014)	(18,664)
Fund balance, beginning of year	44,956	44,956	-
Fund balance, end of year	\$ 46,606	\$ 27,942	\$ (18,664)

Nonmajor Special Revenue Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2005

EMERGENCY PHONE SERVICE - WIRED

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 874,000	\$ 810,638	\$ (63,362)
Interest	500	9,277	8,777
Total revenues	874,500	819,915	(54,585)
Expenditures:			
Public safety	662,470	651,370	11,100
Excess of revenues over (under) expenditures	212,030	168,545	(43,485)
Other financing uses:			
Operating transfers out	(212,030)	(136,262)	75,768
Excess of revenues over expenditures and other financing uses	-	32,283	32,283
Fund balance, beginning of year	545,200	545,200	-
Fund balance, end of year	\$ 545,200	\$ 577,483	\$ 32,283

EMERGENCY PHONE SERVICE - WIRELESS

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Charges for services	\$ 75,000	\$ 111,162	\$ 36,162
Expenditures:			
Public safety	75,000	111,162	(36,162)
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	13	13	-
Fund balance, end of year	\$ 13	\$ 13	\$ -

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

DRUG LAW ENFORCEMENT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	\$ -	\$ -	\$ -
Expenditures:			
Public safety	-	500	(500)
Excess of revenues under expenditures	-	(500)	(500)
Fund balance, beginning of year	8,658	8,658	-
Fund balance, end of year	<u>\$ 8,658</u>	<u>\$ 8,158</u>	<u>\$ (500)</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

	LAW LIBRARY		
	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Fines and forfeitures	\$ 4,500	\$ 4,500	\$ -
Expenditures:			
Judicial	35,500	34,268	1,232
Excess of revenues over (under) expenditures	(31,000)	(29,768)	1,232
Other financing sources:			
Operating transfers in	31,000	31,000	-
Excess of revenues and other financing sources over expenditures	-	1,232	1,232
Fund balance, beginning of year	293	293	-
Fund balance, end of year	<u>\$ 293</u>	<u>\$ 1,525</u>	<u>\$ 1,232</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

COMMUNITY DEVELOPMENT GRANT

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal grants	\$ 279,558	\$ 279,558	\$ -
Expenditures:			
Economic development	<u>279,558</u>	<u>279,558</u>	<u>-</u>
Excess of revenues over expenditures	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

REVOLVING LOAN FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 7,924	\$ 15,263	\$ 7,339
Other	<u>111,999</u>	<u>26,838</u>	<u>(85,161)</u>
Total revenues	119,923	42,101	(77,822)
Expenditures:			
Economic development	<u>319,923</u>	<u>29,672</u>	<u>290,251</u>
Excess of revenues over (under) expenditures	(200,000)	12,429	212,429
Fund balance, beginning of year	<u>257,933</u>	<u>257,933</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 57,933</u></u>	<u><u>\$ 270,362</u></u>	<u><u>\$ 212,429</u></u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

DEPARTMENT OF HUMAN SERVICES

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 200,000	\$ 178,723	\$ (21,277)
Other	11,000	6,623	(4,377)
Total revenues	211,000	185,346	(25,654)
Expenditures:			
Health and welfare	206,500	201,783	4,717
Excess of revenues over (under) expenditures	4,500	(16,437)	(20,937)
Other financing sources:			
Operating transfers in	13,000	13,000	-
Excess of revenues and other financing sources over (under) expenditures	17,500	(3,437)	(20,937)
Fund balance, beginning of year	16,735	16,735	-
Fund balance, end of year	<u>\$ 34,235</u>	<u>\$ 13,298</u>	<u>\$ (20,937)</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

	CHILD CARE		
	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 135,000	\$ 62,183	\$ (72,817)
Other	37,000	46,864	9,864
Total revenues	172,000	109,047	(62,953)
Expenditures:			
Health and welfare	776,000	736,593	39,407
Excess of revenues under expenditures	(604,000)	(627,546)	(23,546)
Other financing sources:			
Operating transfers in	604,000	604,000	-
Excess of revenues and other financing sources under expenditures	-	(23,546)	(23,546)
Fund balance, beginning of year	24,268	24,268	-
Fund balance, end of year	<u>\$ 24,268</u>	<u>\$ 722</u>	<u>\$ (23,546)</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

SOLDIERS' RELIEF

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
Health and welfare	5,600	4,358	1,242
Excess of revenues over (under) expenditures	(5,600)	(4,358)	1,242
Other financing sources:			
Operating transfers in	1,600	1,600	-
Excess of revenues and other financing sources over (under) expenditures	(4,000)	(2,758)	1,242
Fund balance, beginning of year	4,157	4,157	-
Fund balance, end of year	<u>\$ 157</u>	<u>\$ 1,399</u>	<u>\$ 1,242</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

VETERANS' TRUST

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
State grants	\$ 4,000	\$ 4,670	\$ 670
Expenditures:			
Health and welfare	4,000	4,397	(397)
Excess of revenues over expenditures	-	273	273
Fund balance, beginning of year	570	570	-
Fund balance, end of year	<u>\$ 570</u>	<u>\$ 843</u>	<u>\$ 273</u>

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

OLDER CITIZENS' FUND

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes	\$ 275,643	\$ 271,454	\$ (4,189)
State grants	2,503	-	(2,503)
Interest	2,000	10,397	8,397
Total revenues	280,146	281,851	1,705
Expenditures:			
Health and welfare	199,923	221,803	(21,880)
Excess of revenues over (under) expenditures	80,223	60,048	(20,175)
Other financing uses:			
Operating transfers out	(33,000)	(33,000)	-
Excess of revenues over (under) expenditures and other financing uses	47,223	27,048	(20,175)
Fund balance, beginning of year	320,184	320,184	-
Fund balance, end of year	\$ 367,407	\$ 347,232	\$ (20,175)

Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2005

RETIREEES' HEALTH INSURANCE

	Amended Budget	Actual	Variance Positive (Negative)
Revenues:			
Interest	\$ 950	\$ 3,015	\$ 2,065
Expenditures:			
Other	420,950	391,874	29,076
Excess of revenues over (under) expenditures	(420,000)	(388,859)	31,141
Other financing sources:			
Operating transfers in	400,000	355,000	(45,000)
Excess of revenues and other financing sources under expenditures	(20,000)	(33,859)	(13,859)
Fund balance, beginning of year	145,354	145,354	-
Fund balance, end of year	<u>\$ 125,354</u>	<u>\$ 111,495</u>	<u>\$ (13,859)</u>

NONMAJOR ENTERPRISE FUNDS

**Nonmajor Enterprise Fund
Statement of Net Assets
December 31, 2005**

	<u>Commissary Fund</u>
Assets:	
Due from other funds	\$ 14,586
Liabilities:	
Accounts payable	<u>944</u>
Net assets:	
Unrestricted	<u>\$ 13,642</u>

Nonmajor Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

	<u>Commissary Fund</u>
Operating revenues:	
Charges for services	\$ 43,991
Operating expenses:	
Supplies	<u>41,043</u>
Operating income	2,948
Net assets, beginning of year	<u>10,694</u>
Net assets, end of year	<u><u>\$ 13,642</u></u>

Nonmajor Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 2005

	Commissary Fund
Cash flows from operating activities:	
Cash receipts from customers	\$ 43,991
Cash payments to suppliers	(42,209)
Internal activity	(1,782)
	<hr/>
Net cash provided by operating activities	-
Cash and cash equivalents, beginning of year	<hr/> -
Cash and cash equivalents, end of year	<hr/> <hr/> \$ -
 Reconciliation of net income to net cash provided by operating activities:	
Operating income for the year	\$ 2,948
Adjustments to reconcile operating income to net cash provided by operating activities	
Change in assets and liabilities:	
Due from other funds	(1,782)
Accounts payable	(1,166)
	<hr/>
Net cash provided by operating activities	<hr/> <hr/> \$ -

DELINQUENT TAX REVOLVING FUNDS

Huron County, Michigan

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	1999 Delinquent Revolving
Assets:				
Current assets:				
Cash and cash equivalents	\$ 30,680	\$ 241,309	\$ 716,269	\$ -
Investments	-	-	825,000	-
Accounts receivable				
Property taxes	-	-	73,564	-
Accounts and interest	-	878	1,006	-
Due from other funds	-	-	1,401,552	-
Due from other governmental units	-	-	227	-
Total current assets	30,680	242,187	3,017,618	-
Non-current assets:				
Delinquent taxes	-	-	137,646	-
Total assets	30,680	242,187	3,155,264	-
Liabilities:				
Current liabilities:				
Accounts payable	-	-	451	-
Due to other governmental units	4,062	120	-	-
Due to other funds	-	-	-	-
Total liabilities	4,062	120	451	-
Net assets:				
Restricted				
Foreclosure	-	242,067	-	-
Tax administration	-	-	85,040	-
Unrestricted	26,618	-	3,069,773	-
Total net assets	\$ 26,618	\$ 242,067	\$ 3,154,813	\$ -

Delinquent Tax Revolving
Combining Statement of Net Assets
December 31, 2005

2000 Delinquent Revolving	2001 Delinquent Revolving	2002 Delinquent Revolving	2003 Delinquent Revolving	2004 Delinquent Revolving	2005 Delinquent Revolving	Total
\$ -	108,134	\$ 109,440	\$ 136,590	\$ 259,870	\$ 848	\$ 1,603,140
-	-	259,183	540,589	-	-	1,624,772
-	97	34	90,157	423,912	-	587,764
-	-	93	271	-	-	2,248
-	250,000	-	-	-	-	1,651,552
-	66	265	575	22,966	-	24,099
-	358,297	369,015	768,182	706,748	848	5,493,575
-	-	-	29,949	601,284	-	768,879
-	358,297	369,015	798,131	1,308,032	848	6,262,454
-	-	-	-	-	-	451
-	-	-	-	-	-	4,182
-	-	-	494,863	1,156,421	-	1,651,284
-	-	-	494,863	1,156,421	-	1,655,917
-	-	-	-	-	-	242,067
-	-	-	-	-	-	85,040
-	358,297	369,015	303,268	151,611	848	4,279,430
<u>\$ -</u>	<u>\$ 358,297</u>	<u>\$ 369,015</u>	<u>\$ 303,268</u>	<u>\$ 151,611</u>	<u>\$ 848</u>	<u>\$ 4,606,537</u>

Huron County, Michigan

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	1999 Delinquent Revolving
Operating revenues:				
Charges for services	\$ 7,409	\$ 74,528	\$ 29,376	\$ 502
Other	4,777	-	-	-
Total operating revenues	12,186	74,528	29,376	502
Operating expenses:				
Personal services	-	-	46,084	-
Supplies	745	8,109	-	-
Other services and charges	527	36,221	8,520	-
Total operating expenses	1,272	44,330	54,604	-
Operating income (loss)	10,914	30,198	(25,228)	502
Non-operating revenues (expenses):				
Interest income	499	5,424	36,526	4,211
Interest expense and fees	-	-	-	-
Total non-operating revenues (expenses)	499	5,424	36,526	4,211
Net income before operating transfers	11,413	35,622	11,298	4,713
Operating transfers out:				
Operating transfers out	-	-	(460,879)	-
Net income (loss)	11,413	35,622	(449,581)	4,713
Net assets, beginning of year	15,205	206,445	3,000,068	287,739
Equity transfers	-	-	604,326	(292,452)
Net assets, end of year	\$ 26,618	\$ 242,067	\$ 3,154,813	\$ -

Delinquent Tax Revolving

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

2000 Delinquent Revolving	2001 Delinquent Revolving	2002 Delinquent Revolving	2003 Delinquent Revolving	2004 Delinquent Revolving	2005 Delinquent Revolving	Total
\$ 192	\$ -	\$ 52,081	\$ 137,100	\$ 168,171	\$ 848	\$ 470,207
-	-	-	-	-	-	4,777
192	-	52,081	137,100	168,171	848	474,984
-	-	-	-	-	-	46,084
-	-	-	-	-	-	8,854
-	-	-	-	11,782	-	57,050
-	-	-	-	11,782	-	111,988
192	-	52,081	137,100	156,389	848	362,996
3,609	4,352	12,260	15,735	5,186	-	87,802
-	-	(721)	(7,469)	(9,964)	-	(18,154)
3,609	4,352	11,539	8,266	(4,778)	-	69,648
3,801	4,352	63,620	145,366	151,611	848	432,644
-	-	-	-	-	-	(460,879)
3,801	4,352	63,620	145,366	151,611	848	(28,235)
308,073	353,945	305,395	157,902	-	-	4,634,772
(311,874)	-	-	-	-	-	-
\$ -	\$ 358,297	\$ 369,015	\$ 303,268	\$ 151,611	\$ 848	\$ 4,606,537

Huron County, Michigan

	State Education Tax Collect	Forfeiture and Foreclosure	100% Tax Payment	1999 Delinquent Revolving
Cash flows from operating activities:				
Cash receipts from customers	\$ 12,186	\$ 74,218	\$ 248,787	\$ 1,032
Cash payments to suppliers	(789)	(44,390)	(54,662)	-
Cash payments for delinquent taxes	-	-	(238,552)	-
Net cash provided (used) by operating activities	11,397	29,828	(44,427)	1,032
Cash flows from noncapital financing activities:				
Interfund borrowings - net	-	-	(288,684)	(70,982)
Equity transfers from (to) other funds	-	-	604,326	(292,452)
Operating transfers out	-	-	(460,879)	-
Interest expense and fees	-	-	-	-
Proceeds from bonds issued	-	-	-	-
Payment of bonds	-	-	-	-
Net cash provided (used) by non-capital financing activities	-	-	(145,237)	(363,434)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	-	-	1,395,167	350,000
Investment income	499	5,424	36,526	4,211
Purchases of investments	-	-	(1,125,000)	-
Net cash provided (used) by investing activities	499	5,424	306,693	354,211
Net increase (decrease) in cash and cash equivalents	11,896	35,252	117,029	(8,191)
Cash and cash equivalents, beginning of year	18,784	206,057	599,240	8,191
Cash and cash equivalents, end of year	\$ 30,680	\$ 241,309	\$ 716,269	\$ -
Reconciliation of net income to net cash provided (used) by operating activities:				
Operating income (loss) for the year	\$ 10,914	\$ 30,198	\$ (25,228)	\$ 502
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
Receivables	-	(310)	(11,848)	530
Due from other governmental units	-	-	1,265	-
Delinquent taxes	-	-	(8,558)	-
Accounts payable	-	-	(58)	-
Due to other governmental units	483	(60)	-	-
Net cash provided (used) by operating activities	\$ 11,397	\$ 29,828	\$ (44,427)	\$ 1,032

Delinquent Tax Revolving
Combining Statement of Cash Flows
For the Year Ended December 31, 2005

2000 Delinquent Revolving	2001 Delinquent Revolving	2002 Delinquent Revolving	2003 Delinquent Revolving	2004 Delinquent Revolving	2005 Delinquent Revolving	Total
\$ 1,161	\$ 760	\$ 187,837	\$ 870,188	\$ 2,126,430	\$ 848	\$ 3,523,447
-	-	-	-	(11,782)	-	(111,623)
-	-	-	-	(3,006,421)	-	(3,244,973)
1,161	760	187,837	870,188	(891,773)	848	166,851
-	(250,000)	(543,397)	-	1,156,421	-	3,358
(311,874)	-	-	-	-	-	-
-	-	-	-	-	-	(460,879)
-	-	(721)	(7,469)	(9,964)	-	(18,154)
-	-	-	-	1,100,000	-	1,100,000
-	-	(120,000)	(882,273)	(1,100,000)	-	(2,102,273)
(311,874)	(250,000)	(664,118)	(889,742)	1,146,457	-	(1,477,948)
300,000	312,000	1,020,058	812,389	-	-	4,189,614
3,609	4,352	12,260	15,735	5,186	-	87,802
-	-	(513,650)	(948,778)	-	-	(2,587,428)
303,609	316,352	518,668	(120,654)	5,186	-	1,689,988
(7,104)	67,112	42,387	(140,208)	259,870	848	378,891
7,104	41,022	67,053	276,798	-	-	1,224,249
\$ -	\$ 108,134	\$ 109,440	\$ 136,590	\$ 259,870	\$ 848	\$ 1,603,140
\$ 192	\$ -	\$ 52,081	\$ 137,100	\$ 156,389	\$ 848	\$ 362,996
969	124	103,737	140,961	(423,912)	-	(189,749)
-	636	1,585	23,103	(22,966)	-	3,623
-	-	30,434	569,024	(601,284)	-	(10,384)
-	-	-	-	-	-	(58)
-	-	-	-	-	-	423
\$ 1,161	\$ 760	\$ 187,837	\$ 870,188	\$ (891,773)	\$ 848	\$ 166,851

NONMAJOR INTERNAL SERVICE FUNDS

Nonmajor Internal Service Funds
Combining Statement of Net Assets
December 31, 2005

	Workers Compensation Fund	Fringe Benefits Fund	Total
Assets:			
Receivables			
Accounts and interest	\$ 113,513	\$ -	\$ 113,513
Due from other funds	529,167	706,606	1,235,773
Prepaid expenses	<u>36,856</u>	<u>100,207</u>	<u>137,063</u>
Total assets	679,536	806,813	1,486,349
Liabilities:			
Accounts payable	174,586	363,224	537,810
Deferred revenue	<u>112,016</u>	<u>-</u>	<u>112,016</u>
Total liabilities	<u>286,602</u>	<u>363,224</u>	<u>649,826</u>
Net assets:			
Unrestricted	<u>\$ 392,934</u>	<u>\$ 443,589</u>	<u>\$ 836,523</u>

Nonmajor Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2005

	Workers Compensation Fund	Fringe Benefits Fund	Total
Operating revenues:			
Other	\$ 169,834	\$ 2,610,264	\$ 2,780,098
Operating expenses:			
Personal services	<u>112,816</u>	<u>2,309,241</u>	<u>2,422,057</u>
Operating income	57,018	301,023	358,041
Non-operating revenues:			
Interest	<u>14,685</u>	<u>-</u>	<u>14,685</u>
Net income	71,703	301,023	372,726
Net assets, beginning of year	<u>321,231</u>	<u>142,566</u>	<u>463,797</u>
Net assets, end of year	<u><u>\$ 392,934</u></u>	<u><u>\$ 443,589</u></u>	<u><u>\$ 836,523</u></u>

Nonmajor Internal Service Funds
Combining Statement of Cash Flows
For The Year Ended December 31, 2005

	Workers Compensation Fund	Fringe Benefits Fund	Total
Cash flows from operating activities:			
Cash receipts from customers	\$ 109,824	\$ 2,331,515	\$ 2,441,339
Cash payments to suppliers	<u>(124,509)</u>	<u>(2,331,515)</u>	<u>(2,456,024)</u>
Net cash used by operating activities	(14,685)	-	(14,685)
Cash flows from investing activities:			
Investment income	14,685	-	14,685
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of net income to net cash used by operating activities:			
Operating income for the year	\$ 57,018	\$ 301,023	\$ 358,041
Adjustments to reconcile operating income to net cash used by operating activities			
Change in assets and liabilities:			
Receivables	(57,398)	(324,155)	(381,553)
Prepaid items	(2,612)	45,406	42,794
Accounts payable	(14,664)	(22,274)	(36,938)
Deferred revenue	<u>2,971</u>	<u>-</u>	<u>2,971</u>
Net cash used by operating activities	<u><u>\$ (14,685)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,685)</u></u>

FIDUCIARY FUNDS

Agency Funds
Combining Statement of Fiduciary Net Assets
December 31, 2005

	<u>Library Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 64,521	\$ 922,075	\$ 986,596
Due from other funds	<u>11,336</u>	<u>813,334</u>	<u>824,670</u>
Total assets	<u><u>\$ 75,857</u></u>	<u><u>\$ 1,735,409</u></u>	<u><u>\$ 1,811,266</u></u>
Liabilities			
Accounts payable	\$ -	\$ 54,180	\$ 54,180
Undistributed tax collections	-	1,447,348	1,447,348
Due to other governmental units	<u>75,857</u>	<u>233,881</u>	<u>309,738</u>
Total liabilities	<u><u>\$ 75,857</u></u>	<u><u>\$ 1,735,409</u></u>	<u><u>\$ 1,811,266</u></u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
December 31, 2005

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
Assets				
		TOTAL AGENCY FUNDS		
Cash and cash equivalents	\$ 1,253,946	\$ 8,374,646	\$ 8,641,996	\$ 986,596
Due from other funds	638,396	30,501,081	30,314,807	824,670
Due from other governmental units	375	3,376	3,751	-
Total assets	<u>\$ 1,892,717</u>	<u>\$ 38,879,103</u>	<u>\$ 38,960,554</u>	<u>\$ 1,811,266</u>

Liabilities				
Accounts payable	\$ 55,353	\$ 9,545,874	\$ 9,544,701	\$ 54,180
Undistributed tax collections	1,490,705	10,516,102	10,472,745	1,447,348
Due to other funds	-	3,719,335	3,719,335	-
Due to other governmental units	346,659	13,537,259	13,500,338	309,738
Total liabilities	<u>\$ 1,892,717</u>	<u>\$ 37,318,570</u>	<u>\$ 37,237,119</u>	<u>\$ 1,811,266</u>

Assets				
		LIBRARY FUND		
Cash and cash equivalents	\$ 64,463	\$ 137,581	\$ 137,523	\$ 64,521
Due from other funds	11,724	274,353	274,741	11,336
Total assets	<u>\$ 76,187</u>	<u>\$ 411,934</u>	<u>\$ 412,264</u>	<u>\$ 75,857</u>

Liabilities				
Due to other governmental units	<u>\$ 76,187</u>	<u>137,523</u>	<u>137,193</u>	<u>\$ 75,857</u>

Assets				
		TRUST AND AGENCY FUND		
Cash and cash equivalents	\$ 1,189,483	\$ 8,237,065	\$ 8,504,473	\$ 922,075
Due from other funds	626,672	30,226,728	30,040,066	813,334
Due from other governmental units	375	3,376	3,751	-
Total assets	<u>\$ 1,816,530</u>	<u>\$ 38,467,169</u>	<u>\$ 38,548,290</u>	<u>\$ 1,735,409</u>

Liabilities				
Accounts payable	\$ 55,353	\$ 9,545,874	\$ 9,544,701	\$ 54,180
Undistributed tax collections	1,490,705	10,516,102	10,472,745	1,447,348
Due to other funds	-	3,719,335	3,719,335	-
Due to other governmental units	270,472	13,399,736	13,363,145	233,881
Total liabilities	<u>\$ 1,816,530</u>	<u>\$ 37,181,047</u>	<u>\$ 37,099,926</u>	<u>\$ 1,735,409</u>

COMPONENT UNIT

DEPARTMENT OF PUBLIC WORKS

**Department of Public Works
Balance Sheet
December 31, 2005****Assets**

Cash and cash equivalents	\$ 167,743
Contracts receivable	<u>5,171,476</u>
Total assets	<u>\$ 5,339,219</u>

Liabilities and Fund Balance**Liabilities:**

Deferred revenue	\$ 5,171,476
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Fund balance:

Reserved	
Capital projects	167,576
Debt service	<u>167</u>
Total fund balance	<u>167,743</u>
Total liabilities and fund balance	<u>\$ 5,339,219</u>

**Reconciliation of Fund Balance on the Balance Sheet for the
Department of Public Works Fund to Net Assets of Governmental Activities
on the Statement of Net Assets
December 31, 2005**

Fund balance, DPW fund	\$ 167,743
Amounts not available in the DPW funds that increase the contract receivable on the government wide statements.	25,574
Amounts reported for governmental activities in the statement of net assets are different because:	
Due from other governmental units is not reported as revenues in the other funds until collected	5,171,476
Current liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest on bonds payable	(25,574)
Long-term debt is not due and payable in the current period and therefore is not reported in the funds	<u>(5,171,476)</u>
Net assets, DPW fund	<u><u>\$ 167,743</u></u>

Department of Public Works
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005

Revenues:

Loan proceeds	\$ 49,174
Contributions from local units	656,651
Interest	<u>5,118</u>
Total revenues	710,943

Expenditures:

Capital outlay	64,851
Debt service	
Principal	420,000
Interest and fees	<u>236,651</u>

Total expenditures	<u>721,502</u>
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Excess of revenues under expenditures	(10,559)
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Fund balance, beginning of year	<u>178,302</u>
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Fund balance, end of year	<u><u>\$ 167,743</u></u>
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**Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balance of Department of Public Works
to the Statement of Activities
December 31, 2005**

Net change in fund balance, DPW fund	\$ (10,559)
Amounts billed to other governments for new construction.	49,174
Collections of amounts due from other governmental units is reported as revenue in the governmental funds, but the payments reduce the amount due from other governmental units in the statement of net assets.	(420,000)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.	
Long-term debt proceeds	(49,174)
Principal payments on long-term debt	<u>420,000</u>
Change in net assets, DPW fund	<u>\$ (10,559)</u>

COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION

**Economic Development Corporation
Balance Sheet
December 31, 2005****Assets**

Cash and cash equivalents	\$ 77,915
Receivables	
Accounts and interest	<u>10,568</u>
Total assets	<u>\$ 88,483</u>

Liabilities and Fund Balance**Liabilities:**

Payables and current liabilities	\$ 27,738
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Fund balance:

Unreserved	<u>60,745</u>
Total liabilities and fund balance	<u>\$ 88,483</u>

Economic Development Corporation
Statement of Revenues, Expenditures and Changes in Fund Balance
For The Year Ended December 31, 2005

Revenues:

Federal grants	\$ 24,366
Charges for services	106,647
Interest	<u>1,522</u>

Total revenues 132,535

Expenditures:

Economic development	<u>223,445</u>
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Excess of revenues under expenditures (90,910)

Other Financing Sources:

Operating transfers in	<u>65,800</u>
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Excess of revenues and other sources
under expenditures (25,110)

Fund balance, beginning of year 85,855

Fund balance, end of year \$ 60,745

SCHEDULES OF BOND INDEBTEDNESS

Huron County, Michigan**Schedule of Bond Indebtedness
Municipal Purchase Notes - Dates July 11, 2002
Summary Schedule*
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2006		3.000%	\$ 30,164	\$ 30,164
9/1/2006	\$ 345,000	3.000%	30,164	375,164
3/1/2007		3.250%	24,989	24,989
9/1/2007	350,000	3.250%	24,989	374,989
3/1/2008		3.625%	19,301	19,301
9/1/2008	350,000	3.625%	19,301	369,301
3/1/2009		3.600%	12,957	12,957
9/1/2009	365,000	3.600%	12,957	377,957
3/1/2010		3.750%	6,388	6,388
9/1/2010	165,000	3.750%	6,388	171,388
3/1/2011		3.875%	3,294	3,294
9/1/2011	<u>170,000</u>	<u>3.875%</u>	<u>3,294</u>	<u>173,294</u>
	<u>\$ 1,745,000</u>		<u>\$ 194,186</u>	<u>\$ 1,939,186</u>

*Included in this summary are the Jail and Medical Care Facility payment schedules. The detailed schedules follow.

Schedule of Bond Indebtedness
Municipal Purchase Note - Jail Project
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2006		3.000%	\$ 16,599	\$ 16,599
9/1/2006	\$ 145,000	3.000%	16,599	161,599
3/1/2007		3.250%	14,424	14,424
9/1/2007	150,000	3.250%	14,424	164,424
3/1/2008		3.625%	11,986	11,986
9/1/2008	150,000	3.625%	11,986	161,986
3/1/2009		3.600%	9,267	9,267
9/1/2009	160,000	3.600%	9,267	169,267
3/1/2010		3.750%	6,388	6,388
9/1/2010	165,000	3.750%	6,388	171,388
3/1/2011		3.875%	3,294	3,294
9/1/2011	<u>170,000</u>	<u>3.875%</u>	<u>3,294</u>	<u>173,294</u>
	<u>\$ 940,000</u>		<u>\$ 123,916</u>	<u>\$ 1,063,916</u>

Schedule of Bond Indebtedness
Municipal Purchase Note - Medical Care Facility
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2006		3.000%	\$ 13,565	\$ 13,565
9/1/2006	\$ 200,000	3.000%	13,565	213,565
3/1/2007		3.250%	10,565	10,565
9/1/2007	200,000	3.250%	10,565	210,565
3/1/2008		3.625%	7,315	7,315
9/1/2008	200,000	3.625%	7,315	207,315
3/1/2009		3.600%	3,690	3,690
9/1/2009	<u>205,000</u>	<u>3.600%</u>	<u>3,690</u>	<u>208,690</u>
	<u>\$ 805,000</u>		<u>\$ 70,270</u>	<u>\$ 875,270</u>

**Schedule of Bond Indebtedness
Colfax Township Sewer System - Series 1988
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2006		5.00%	\$ 1,125	\$ 1,125
9/1/2006	\$ 15,000	5.00%	1,125	16,125
3/1/2007		5.00%	750	750
9/1/2007	15,000	5.00%	750	15,750
3/1/2008		5.00%	375	375
9/1/2008	15,000	5.00%	375	15,375
	<u>\$ 45,000</u>		<u>\$ 4,500</u>	<u>\$ 49,500</u>

Schedule of Bond Indebtedness
Sebewaing M-25 Water and Sewer System - Dated June 1, 1989
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
3/1/2006		7.05%	\$ 9,401	\$ 9,401
9/1/2006	\$ 30,000	7.05%	9,401	39,401
3/1/2007		7.05%	8,344	8,344
9/1/2007	35,000	7.05%	8,344	43,344
3/1/2008		7.05%	7,110	7,110
9/1/2008	40,000	7.05%	7,110	47,110
3/1/2009		7.10%	5,700	5,700
9/1/2009	40,000	7.10%	5,700	45,700
3/1/2010		7.10%	4,280	4,280
9/1/2010	40,000	7.10%	4,280	44,280
3/1/2011		7.15%	2,860	2,860
9/1/2011	40,000	7.15%	2,860	42,860
3/1/2012		7.15%	1,430	1,430
9/1/2012	40,000	7.15%	1,430	41,430
	<u>\$ 265,000</u>		<u>\$ 78,250</u>	<u>\$ 343,250</u>

Schedule of Bond Indebtedness
Sand Beach Township Water System
Improvement Project Bonds - Series 1999
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006		4.80%	\$ 6,032	\$ 6,032
12/1/2006	\$ 125,000	4.80%	6,031	131,031
6/1/2007		4.85%	3,031	3,031
12/1/2007	<u>125,000</u>	4.85%	<u>3,031</u>	<u>128,031</u>
	<u>\$ 250,000</u>		<u>\$ 18,125</u>	<u>\$ 268,125</u>

Schedule of Bond Indebtedness
Sand Beach Township Water System
2005 Refunding Bonds
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006		2.90%	\$ 34,006	\$ 34,006
12/1/2006		2.90%	34,006	34,006
6/1/2007	\$ 500,000	3.25%	34,006	534,006
12/1/2007		3.25%	34,006	34,006
6/1/2008	135,000	3.00%	25,882	160,882
12/1/2008		3.00%	23,856	23,856
6/1/2009	130,000	3.50%	23,856	153,856
12/1/2009		3.50%	21,581	21,581
6/1/2010	130,000	3.50%	21,581	151,581
12/1/2010		3.50%	19,306	19,306
6/1/2011	130,000	3.75%	19,306	149,306
12/1/2011		3.75%	16,870	16,870
6/1/2012	130,000	3.75%	16,869	146,869
12/1/2012		3.75%	14,431	14,431
6/1/2013	125,000	3.88%	14,431	139,431
12/1/2013		3.88%	12,010	12,010
6/1/2014	125,000	3.70%	12,009	137,009
12/1/2014		3.70%	9,697	9,697
6/1/2015	125,000	3.80%	9,697	134,697
12/1/2015		3.80%	7,322	7,322
6/1/2016	125,000	3.88%	7,322	132,322
12/1/2016		3.88%	4,900	4,900
6/1/2017	125,000	4.00%	4,900	129,900
12/1/2017		4.00%	2,400	2,400
6/1/2018	120,000	4.00%	2,400	122,400
	<u>\$ 1,900,000</u>		<u>\$ 426,650</u>	<u>\$ 2,326,650</u>

Schedule of Bond Indebtedness
Bad Axe Water Supply and Sewage Disposal System - Series A
Dated December 1, 1996
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006		7.125%	\$ 41,262	\$ 41,262
12/1/2006	\$ 50,000	7.125%	41,263	91,263
6/1/2007		7.125%	39,481	39,481
12/1/2007	50,000	7.125%	39,481	89,481
6/1/2008		4.850%	37,700	37,700
12/1/2008	175,000	4.850%	37,700	212,700
6/1/2009		4.950%	33,456	33,456
12/1/2009	175,000	4.950%	33,456	208,456
6/1/2010		5.000%	29,125	29,125
12/1/2010	200,000	5.000%	29,125	229,125
6/1/2011		5.000%	24,125	24,125
12/1/2011	200,000	5.000%	24,125	224,125
6/1/2012		5.000%	19,125	19,125
12/1/2012	200,000	5.000%	19,125	219,125
6/1/2013		5.000%	14,125	14,125
12/1/2013	200,000	5.000%	14,125	214,125
6/1/2014		5.000%	9,125	9,125
12/1/2014	200,000	5.000%	9,125	209,125
6/1/2015		4.125%	4,125	4,125
12/1/2015	200,000	4.125%	4,125	204,125
	<u>\$ 1,650,000</u>		<u>\$ 503,299</u>	<u>\$ 2,153,299</u>

Schedule of Bond Indebtedness
Bad Axe Water Supply and Sewage Disposal System - Series B
Dated December 1, 1996
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006		4.625%	\$ 8,797	\$ 8,797
12/1/2006	\$ 175,000	4.625%	8,797	183,797
6/1/2007		4.750%	4,750	4,750
12/1/2007	200,000	4.750%	4,750	204,750
	<u>\$ 375,000</u>		<u>\$ 27,094</u>	<u>\$ 402,094</u>

Schedule of Bond Indebtedness
Village of Elkton Water System Improvements Bond - Series 2003
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
4/1/2006		2.125%	\$ 7,294	\$ 7,294
10/1/2006	\$ 35,000	2.125%	7,294	42,294
4/1/2007		2.125%	6,922	6,922
10/1/2007	35,000	2.125%	6,922	41,922
4/1/2008		2.125%	6,550	6,550
10/1/2008	35,000	2.125%	6,550	41,550
4/1/2009		2.125%	6,178	6,178
10/1/2009	40,000	2.125%	6,178	46,178
4/1/2010		2.125%	5,753	5,753
10/1/2010	40,000	2.125%	5,753	45,753
4/1/2011		2.125%	5,328	5,328
10/1/2011	40,000	2.125%	5,328	45,328
4/1/2012		2.125%	4,903	4,903
10/1/2012	40,000	2.125%	4,903	44,903
4/1/2013		2.125%	4,478	4,478
10/1/2013	40,000	2.125%	4,478	44,478
4/1/2014		2.125%	4,053	4,053
10/1/2014	40,000	2.125%	4,053	44,053
4/1/2015		2.125%	3,628	3,628
10/1/2015	45,000	2.125%	3,628	48,628
4/1/2016		2.125%	3,150	3,150
10/1/2016	45,000	2.125%	3,150	48,150
4/1/2017		2.125%	2,672	2,672
10/1/2017	45,000	2.125%	2,672	47,672
4/1/2018		2.125%	2,194	2,194
10/1/2018	45,000	2.125%	2,194	47,194
4/1/2019		2.125%	1,716	1,716
10/1/2019	45,000	2.125%	1,716	46,716
4/1/2020		2.125%	1,238	1,238
10/1/2020	45,000	2.125%	1,238	46,238
4/1/2021		2.125%	759	759
10/1/2021	50,000	2.125%	759	50,759
4/1/2022		2.125%	228	228
10/1/2022	21,476	2.125%	228	21,704
	<u>\$ 686,476</u>		<u>\$ 134,088</u>	<u>\$ 820,564</u>

**Schedule of Bond Indebtedness
Drain Notes Payable
December 31, 2005**

Maturity Date	Principal	Interest*	Total
2006	\$ 303,635	\$ 54,551	\$ 358,186
2007	186,817	41,683	228,500
2008	186,817	31,974	218,791
2009	158,817	22,174	180,991
2010	99,117	13,912	113,029
2011 - 2015	139,765	19,934	159,699
2016 - 2020	24,100	2,504	26,604
	<u>\$ 1,099,068</u>	<u>\$ 186,732</u>	<u>\$ 1,285,800</u>

* Interest rates on notes issued for various drain projects range from 2.50% to 6.20%.

Schedule of Bond Indebtedness
Drain Bonds - Bad Axe Drain - Phase I
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 75,000	6.35%	\$ 4,781	\$ 79,781
12/1/2006		6.40%	2,400	2,400
6/1/2007	<u>75,000</u>	6.40%	<u>2,400</u>	<u>77,400</u>
	<u>\$ 150,000</u>		<u>\$ 9,581</u>	<u>\$ 159,581</u>

Schedule of Bond Indebtedness
Drain Bonds - Bad Axe Drain - Phase II
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 50,000	5.40%	\$ 15,750	\$ 65,750
12/1/2006		5.50%	14,375	14,375
6/1/2007	50,000	5.50%	14,375	64,375
12/1/2007		5.60%	12,975	12,975
6/1/2008	50,000	5.60%	12,975	62,975
12/1/2008		5.70%	11,550	11,550
6/1/2009	50,000	5.70%	11,550	61,550
12/1/2009		5.80%	10,100	10,100
6/1/2010	50,000	5.80%	10,100	60,100
12/1/2010		5.90%	8,625	8,625
6/1/2011	75,000	5.90%	8,625	83,625
12/1/2011		5.75%	6,469	6,469
6/1/2012	75,000	5.75%	6,469	81,469
12/1/2012		5.75%	4,313	4,313
6/1/2013	75,000	5.75%	4,313	79,313
12/1/2013		5.75%	2,156	2,156
6/1/2014	75,000	5.75%	2,156	77,156
	<u>\$ 550,000</u>		<u>\$ 156,876</u>	<u>\$ 706,876</u>

Schedule of Bond Indebtedness
Drain Bonds - Cramp Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 30,000	5.60%	\$ 3,450	\$ 33,450
12/1/2006		5.70%	2,610	2,610
6/1/2007	30,000	5.70%	2,610	32,610
12/1/2007		5.80%	1,755	1,755
6/1/2008	30,000	5.80%	1,755	31,755
12/1/2008		5.90%	885	885
6/1/2009	30,000	5.90%	885	30,885
	<u>\$ 120,000</u>		<u>\$ 13,950</u>	<u>\$ 133,950</u>

Huron County, Michigan**Schedule of Bond Indebtedness
Drain Bonds - Todd Drain
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	6.50%	\$ 5,862	\$ 40,862
12/1/2006		6.60%	4,725	4,725
6/1/2007	35,000	6.60%	4,725	39,725
12/1/2007		6.70%	3,570	3,570
6/1/2008	35,000	6.70%	3,570	38,570
12/1/2008		6.80%	2,398	2,398
6/1/2009	35,000	6.80%	2,397	37,397
12/1/2009		6.90%	1,208	1,208
6/1/2010	35,000	6.90%	1,207	36,207
	<u>\$ 175,000</u>		<u>\$ 29,662</u>	<u>\$ 204,662</u>

Schedule of Bond Indebtedness
Drain Bonds - Pitcher Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	5.00%	\$ 5,625	\$ 40,625
12/1/2006		5.00%	4,750	4,750
6/1/2007	40,000	5.00%	4,750	44,750
12/1/2007		5.00%	3,750	3,750
6/1/2008	35,000	5.00%	3,750	38,750
12/1/2008		5.00%	2,875	2,875
6/1/2009	40,000	5.00%	2,875	42,875
12/1/2009		5.00%	1,875	1,875
6/1/2010	35,000	5.00%	1,875	36,875
12/1/2010		5.00%	1,000	1,000
6/1/2011	40,000	5.00%	1,000	41,000
	<u>\$ 225,000</u>		<u>\$ 34,125</u>	<u>\$ 259,125</u>

**Schedule of Bond Indebtedness
Drain Bonds - Thompson Drain
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	4.80%	\$ 1,820	\$ 36,820
12/1/2006		4.90%	980	980
6/1/2007	<u>40,000</u>	4.90%	<u>980</u>	<u>40,980</u>
	<u>\$ 75,000</u>		<u>\$ 3,780</u>	<u>\$ 78,780</u>

Schedule of Bond Indebtedness
Drain Bonds - Allen Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 125,000	4.50%	\$ 18,000	\$ 143,000
12/1/2006		4.50%	15,188	15,188
6/1/2007	125,000	4.50%	15,187	140,187
12/1/2007		4.50%	12,375	12,375
6/1/2008	125,000	4.50%	12,375	137,375
12/1/2008		4.50%	9,563	9,563
6/1/2009	125,000	4.50%	9,562	134,562
12/1/2009		4.50%	6,750	6,750
6/1/2010	100,000	4.50%	6,750	106,750
12/1/2010		4.50%	4,500	4,500
6/1/2011	100,000	4.50%	4,500	104,500
12/1/2011		4.50%	2,250	2,250
6/1/2012	100,000	4.50%	2,250	102,250
	<u>\$ 800,000</u>		<u>\$ 119,250</u>	<u>\$ 919,250</u>

**Schedule of Bond Indebtedness
Drain Bonds - Crumback Drain
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 20,000	4.65%	\$ 4,461	\$ 24,461
12/1/2006		4.75%	3,996	3,996
6/1/2007	25,000	4.75%	3,996	28,996
12/1/2007		4.70%	3,403	3,403
6/1/2008	25,000	4.70%	3,403	28,403
12/1/2008		4.75%	2,815	2,815
6/1/2009	20,000	4.75%	2,815	22,815
12/1/2009		4.80%	2,340	2,340
6/1/2010	25,000	4.80%	2,340	27,340
12/1/2010		4.90%	1,740	1,740
6/1/2011	20,000	4.90%	1,740	21,740
12/1/2011		5.00%	1,250	1,250
6/1/2012	25,000	5.00%	1,250	26,250
12/1/2012		5.00%	625	625
6/1/2013	25,000	5.00%	625	25,625
	<u>\$ 185,000</u>		<u>\$ 36,799</u>	<u>\$ 221,799</u>

Schedule of Bond Indebtedness
Drain Bonds - Schram Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 70,000	4.60%	\$ 13,440	\$ 83,440
12/1/2006		4.65%	11,830	11,830
6/1/2007	70,000	4.65%	11,830	81,830
12/1/2007		4.70%	10,203	10,203
6/1/2008	70,000	4.70%	10,202	80,202
12/1/2008		4.75%	8,558	8,558
6/1/2009	70,000	4.75%	8,557	78,557
12/1/2009		4.80%	6,895	6,895
6/1/2010	70,000	4.80%	6,895	76,895
12/1/2010		4.90%	5,215	5,215
6/1/2011	70,000	4.90%	5,215	75,215
12/1/2011		5.00%	3,500	3,500
6/1/2012	70,000	5.00%	3,500	73,500
12/1/2012		5.00%	1,750	1,750
6/1/2013	70,000	5.00%	1,750	71,750
	<u>\$ 560,000</u>		<u>\$ 109,340</u>	<u>\$ 669,340</u>

Schedule of Bond Indebtedness
Drain Bonds - Bay Port Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	4.75%	\$ 11,044	\$ 46,044
12/1/2006		4.75%	10,213	10,213
6/1/2007	35,000	4.75%	10,212	45,212
12/1/2007		4.75%	9,381	9,381
6/1/2008	35,000	4.75%	9,381	44,381
12/1/2008		4.50%	8,550	8,550
6/1/2009	35,000	4.50%	8,550	43,550
12/1/2009		4.50%	7,763	7,763
6/1/2010	35,000	4.50%	7,762	42,762
12/1/2010		4.50%	6,975	6,975
6/1/2011	35,000	4.50%	6,975	41,975
12/1/2011		4.50%	6,188	6,188
6/1/2012	35,000	4.50%	6,187	41,187
12/1/2012		4.50%	5,400	5,400
6/1/2013	40,000	4.50%	5,400	45,400
12/1/2013		4.50%	4,500	4,500
6/1/2014	40,000	4.50%	4,500	44,500
12/1/2014		4.50%	3,600	3,600
6/1/2015	40,000	4.50%	3,600	43,600
12/1/2015		4.50%	2,700	2,700
6/1/2016	40,000	4.50%	2,700	42,700
12/1/2016		4.50%	1,800	1,800
6/1/2017	40,000	4.50%	1,800	41,800
12/1/2017		4.50%	900	900
6/1/2018	40,000	4.50%	900	40,900
	<u>\$ 485,000</u>		<u>\$ 146,981</u>	<u>\$ 631,981</u>

Schedule of Bond Indebtedness
Drain Bonds - Lincoln Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	5.00%	\$ 4,515	\$ 39,515
12/1/2006		5.05%	3,640	3,640
6/1/2007	35,000	5.05%	3,640	38,640
12/1/2007		5.15%	2,756	2,756
6/1/2008	35,000	5.15%	2,756	37,756
12/1/2008		5.25%	1,855	1,855
6/1/2009	35,000	5.25%	1,855	36,855
12/1/2009		5.35%	936	936
6/1/2010	35,000	5.35%	937	35,937
	<u>\$ 175,000</u>		<u>\$ 22,890</u>	<u>\$ 197,890</u>

**Schedule of Bond Indebtedness
Drain Bonds - Shebeon Intercounty Drain
December 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 225,000	5.40%	\$ 30,600	\$ 255,600
12/1/2006		5.40%	24,525	24,525
6/1/2007	225,000	5.40%	24,525	249,525
12/1/2007		5.45%	18,450	18,450
6/1/2008	225,000	5.45%	18,450	243,450
12/1/2008		5.45%	12,319	12,319
6/1/2009	225,000	5.45%	12,319	237,319
12/1/2009		5.50%	6,188	6,188
6/1/2010	225,000	5.50%	6,187	231,187
	<u>\$ 1,125,000</u>		<u>\$ 153,563</u>	<u>\$ 1,278,563</u>

Schedule of Bond Indebtedness
Drain Bonds - Harbor Beach Consolidated Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 50,000	4.75%	\$ 27,925	\$ 77,925
12/1/2006		4.75%	26,738	26,738
6/1/2007	50,000	4.75%	26,737	76,737
12/1/2007		4.80%	25,550	25,550
6/1/2008	50,000	4.80%	25,550	75,550
12/1/2008		4.85%	24,350	24,350
6/1/2009	75,000	4.85%	24,350	99,350
12/1/2009		4.90%	22,531	22,531
6/1/2010	75,000	4.90%	22,531	97,531
12/1/2010		5.00%	20,694	20,694
6/1/2011	75,000	5.00%	20,694	95,694
12/1/2011		5.10%	18,819	18,819
6/1/2012	75,000	5.10%	18,819	93,819
12/1/2012		5.20%	16,906	16,906
6/1/2013	75,000	5.20%	16,906	91,906
12/1/2013		5.30%	14,956	14,956
6/1/2014	75,000	5.30%	14,956	89,956
12/1/2014		5.35%	12,969	12,969
6/1/2015	75,000	5.35%	12,968	87,968
12/1/2015		5.40%	10,963	10,963
6/1/2016	75,000	5.40%	10,962	85,962
12/1/2016		5.50%	8,938	8,938
6/1/2017	75,000	5.50%	8,937	83,937
12/1/2017		5.50%	6,875	6,875
6/1/2018	75,000	5.50%	6,875	81,875
12/1/2018		5.50%	4,813	4,813
6/1/2019	75,000	5.50%	4,812	79,812
12/1/2019		5.50%	2,750	2,750
6/1/2020	100,000	5.50%	2,750	102,750
	<u>\$ 1,075,000</u>		<u>\$ 463,624</u>	<u>\$ 1,538,624</u>

Schedule of Bond Indebtedness
Drain Bonds - Beaubien Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 50,000	4.90%	\$ 7,537	\$ 57,537
12/1/2006		4.95%	6,313	6,313
6/1/2007	50,000	4.95%	6,312	56,312
12/1/2007		5.00%	5,075	5,075
6/1/2008	50,000	5.00%	5,075	55,075
12/1/2008		5.05%	3,825	3,825
6/1/2009	50,000	5.05%	3,825	53,825
12/1/2009		5.10%	2,563	2,563
6/1/2010	50,000	5.10%	2,562	52,562
12/1/2010		5.15%	1,288	1,288
6/1/2011	50,000	5.15%	1,287	51,287
	<u>\$ 300,000</u>		<u>\$ 45,662</u>	<u>\$ 345,662</u>

Schedule of Bond Indebtedness
Drain Bonds - Cameron Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 30,000	4.10%	\$ 6,059	\$ 36,059
12/1/2006		4.30%	5,444	5,444
6/1/2007	30,000	4.30%	5,444	35,444
12/1/2007		4.40%	4,799	4,799
6/1/2008	30,000	4.40%	4,799	34,799
12/1/2008		4.50%	4,139	4,139
6/1/2009	35,000	4.50%	4,139	39,139
12/1/2009		4.60%	3,351	3,351
6/1/2010	35,000	4.60%	3,351	38,351
12/1/2010		4.70%	2,546	2,546
6/1/2011	35,000	4.70%	2,546	37,546
12/1/2011		4.85%	1,724	1,724
6/1/2012	35,000	4.85%	1,724	36,724
12/1/2012		5.00%	875	875
6/1/2013	35,000	5.00%	875	35,875
	<u>\$ 265,000</u>		<u>\$ 51,815</u>	<u>\$ 316,815</u>

Schedule of Bond Indebtedness
Drain Bonds - Taft Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 65,000	3.60%	\$ 9,565	\$ 74,565
12/1/2006		3.80%	8,395	8,395
6/1/2007	65,000	3.80%	8,395	73,395
12/1/2007		4.00%	7,160	7,160
6/1/2008	65,000	4.00%	7,160	72,160
12/1/2008		4.20%	5,860	5,860
6/1/2009	65,000	4.20%	5,860	70,860
12/1/2009		4.30%	4,495	4,495
6/1/2010	65,000	4.30%	4,495	69,495
12/1/2010		4.40%	3,098	3,098
6/1/2011	70,000	4.40%	3,098	73,098
12/1/2011		4.45%	1,558	1,558
6/1/2012	<u>70,000</u>	<u>4.45%</u>	<u>1,555</u>	<u>71,555</u>
	<u>\$ 465,000</u>		<u>\$ 70,694</u>	<u>\$ 535,694</u>

Schedule of Bond Indebtedness
Drain Bonds - Filion Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 40,000	3.45%	\$ 8,970	\$ 48,970
12/1/2006		3.45%	8,280	8,280
6/1/2007	40,000	3.45%	8,280	48,280
12/1/2007		3.45%	7,590	7,590
6/1/2008	40,000	3.45%	7,590	47,590
12/1/2008		3.45%	6,900	6,900
6/1/2009	40,000	3.45%	6,900	46,900
12/1/2009		3.45%	6,210	6,210
6/1/2010	40,000	3.45%	6,210	46,210
12/1/2010		3.45%	5,520	5,520
6/1/2011	40,000	3.45%	5,520	45,520
12/1/2011		3.45%	4,830	4,830
6/1/2012	40,000	3.45%	4,830	44,830
12/1/2012		3.45%	4,140	4,140
6/1/2013	40,000	3.45%	4,140	44,140
12/1/2013		3.45%	3,450	3,450
6/1/2014	40,000	3.45%	3,450	43,450
12/1/2014		3.45%	2,760	2,760
6/1/2015	40,000	3.45%	2,760	42,760
12/1/2015		3.45%	2,070	2,070
6/1/2016	40,000	3.45%	2,070	42,070
12/1/2016		3.45%	1,380	1,380
6/1/2017	40,000	3.45%	1,380	41,380
12/1/2017		3.45%	690	690
6/1/2018	40,000	3.45%	690	40,690
	<u>\$ 520,000</u>		<u>\$ 116,610</u>	<u>\$ 636,610</u>

Schedule of Bond Indebtedness
Drain Bonds - Willow Creek Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 135,000	3.00%	\$ 38,350	\$ 173,350
12/1/2006		3.00%	36,325	36,325
6/1/2007	150,000	3.00%	36,325	186,325
12/1/2007		3.00%	34,075	34,075
6/1/2008	150,000	3.00%	34,075	184,075
12/1/2008		3.00%	31,825	31,825
6/1/2009	150,000	3.00%	31,825	181,825
12/1/2009		3.00%	29,575	29,575
6/1/2010	150,000	3.00%	29,575	179,575
12/1/2010		3.50%	27,325	27,325
6/1/2011	150,000	3.50%	27,325	177,325
12/1/2011		3.50%	24,700	24,700
6/1/2012	150,000	3.50%	24,700	174,700
12/1/2012		3.50%	22,075	22,075
6/1/2013	150,000	3.50%	22,075	172,075
12/1/2013		3.50%	19,450	19,450
6/1/2014	150,000	3.50%	19,450	169,450
12/1/2014		3.50%	16,825	16,825
6/1/2015	150,000	3.60%	16,825	166,825
12/1/2015		3.60%	14,125	14,125
6/1/2016	150,000	3.70%	14,125	164,125
12/1/2016		3.70%	11,350	11,350
6/1/2017	150,000	3.80%	11,350	161,350
12/1/2017		3.80%	8,500	8,500
6/1/2018	150,000	4.00%	8,500	158,500
12/1/2018		4.00%	5,500	5,500
6/1/2019	150,000	4.00%	5,500	155,500
12/1/2019		4.00%	2,500	2,500
6/1/2020	125,000	4.00%	2,500	127,500
	<u>\$ 2,210,000</u>		<u>\$ 606,650</u>	<u>\$ 2,816,650</u>

Schedule of Bond Indebtedness
Drain Bonds - Cook Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 35,000	2.75%	\$ 7,788	\$ 42,788
12/1/2006		2.75%	7,306	7,306
6/1/2007	35,000	3.05%	7,306	42,306
12/1/2007		3.05%	6,772	6,772
6/1/2008	35,000	3.20%	6,772	41,772
12/1/2008		3.20%	6,213	6,213
6/1/2009	35,000	3.40%	6,213	41,213
12/1/2009		3.40%	5,618	5,618
6/1/2010	35,000	3.55%	5,618	40,618
12/1/2010		3.55%	4,996	4,996
6/1/2011	35,000	3.70%	4,996	39,996
12/1/2011		3.70%	4,349	4,349
6/1/2012	35,000	3.90%	4,349	39,349
12/1/2012		3.90%	3,666	3,666
6/1/2013	35,000	4.00%	3,666	38,666
12/1/2013		4.00%	2,966	2,966
6/1/2014	35,000	4.10%	2,966	37,966
12/1/2014		4.10%	2,249	2,249
6/1/2015	35,000	4.20%	2,249	37,249
12/1/2015		4.20%	1,514	1,514
6/1/2016	35,000	4.30%	1,514	36,514
12/1/2016		4.30%	761	761
6/1/2017	35,000	4.35%	761	35,761
	<u>\$ 420,000</u>		<u>\$ 100,608</u>	<u>\$ 520,608</u>

Schedule of Bond Indebtedness
Drain Bonds - Sebewaing River Intercounty Drain
December 31, 2005

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
6/1/2006	\$ 102,000	2.00%	\$ 15,155	\$ 117,155
12/1/2006		2.30%	14,135	14,135
6/1/2007	110,000	2.30%	14,135	124,135
12/1/2007		2.70%	12,870	12,870
6/1/2008	110,000	2.70%	12,870	122,870
12/1/2008		3.00%	11,385	11,385
6/1/2009	110,000	3.00%	11,385	121,385
12/1/2009		3.20%	9,735	9,735
6/1/2010	110,000	3.20%	9,735	119,735
12/1/2010		3.40%	7,975	7,975
6/1/2011	110,000	3.40%	7,975	117,975
12/1/2011		3.60%	6,105	6,105
6/1/2012	110,000	3.60%	6,105	116,105
12/1/2012		3.70%	4,125	4,125
6/1/2013	110,000	3.70%	4,125	114,125
12/1/2013		3.80%	2,090	2,090
6/1/2014	110,000	3.80%	2,090	112,090
	<u>\$ 982,000</u>		<u>\$ 151,995</u>	<u>\$ 1,133,995</u>

**HURON COUNTY
BAD AXE, MICHIGAN**

**SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2005**

Page Number***Single Audit Reports***

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road
P.O. Box 326
Bad Axe, MI 48413-0326

Bruce Hill
Donald Kuzak
Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Huron County, Michigan

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated May 25, 2006. We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
Airport and Parks Funds	Governmental activities	6.71%	28.80%
Huron Transit Funds	Business type activities	17.86%	13.06%
Discretely presented:			
Road Commission	Component units	50.82%	58.43%
Drain Funds	Component units	11.30%	32.35%
Huron Behavioral Health	Component units	35.75%	4.54%

The financial statements for these funds and component units were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based solely upon the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Huron County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Huron County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hyzer, Hill, Kuzak & Co. P.C.

May 25, 2006

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

P.O. Box 326

Bad Axe, MI 48413-0326

Bruce Hill

Donald Kuzak

Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Commissioners
Huron County, Michigan

Compliance

We have audited the compliance of Huron County, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Huron County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Huron County's management. Our responsibility is to express an opinion on Huron County's compliance based on our audit.

Huron County's basic financial statements include the operations of the Huron Transit and Road Commission, which received federal awards in the amount of \$1,270,840 which were not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2005. Our audit, described below, did not include the operations of these component units because other auditors were engaged by these entities to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron County's compliance with those requirements.

In our opinion, Huron County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Huron County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Huron County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our report and the report of other auditors noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Huron County, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated May 25, 2006. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Huron County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

We did not audit the financial statements of the following funds and component units included in the financial statements of Huron County, Michigan:

<u>Funds/Component Units</u>	<u>Classification</u>	<u>Percentage of Government-wide Total Revenues and Other Sources</u>	<u>Percentage of Government-wide Total Assets</u>
Primary government:			
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This report is intended solely for the information and use of the finance committee, management, the Huron County Board of Commissioners, the Michigan Department of Treasury and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hyper, Hill, Herzog & Co., P.C.

May 25, 2006

HURON COUNTY, MICHIGAN
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
U.S. Dept. of Agriculture				
Special Supplemental Food Program for Women, Infant, Children	10.557	Michigan Dept. of Public Health	09/30/05	\$ 115,905
Thumb Area - Michigan Works	10.561	Thumb Area - Michigan Works	09/30/05	98
<i>U.S. Dept. of Agriculture total</i>				116,003
U.S. Dept of Housing and Urban Development				
Community Development Block Grant - Kitchen Incubator	14.228	Michigan Economic Development Corp.	12/31/05	11,666
Housing Rehabilitation	14.228	Mich State Housing Development Authority	09/30/05	279,558
<i>U.S. Dept. of Housing and Urban Development total</i>				291,224
U.S. Dept. of Labor				
Employment Services Funds	17.207	Thumb Area - Michigan Works	09/30/05	4,692
WIA Adult Program	17.258	Thumb Area - Michigan Works	09/30/05	11,475
WIA Youth Activities	17.259	Thumb Area - Michigan Works	09/30/05	3,637
WIA Dislocated Workers	17.260	Thumb Area - Michigan Works	09/30/05	6,304
<i>U.S. Dept. of Labor total</i>				21,416
National Endowment for the Humanities				
Arts Regranting	45.025	Michigan Council for Arts and Cultural Affairs	12/31/05	700
<i>National Endowment for the Humanities total</i>				700
Small Business Administration				
Small Business Development Grant	59.037	Michigan SBDC	12/31/05	12,000
<i>Small Business Administration total</i>				12,000
Environmental Protection Agency				
Indoor Radon Grant	66.032	State of Michigan	09/30/05	589
Drinking Water Revolving Loan Funds	66.468	State of Michigan	09/30/05	2,528
Non-Community Water	66.471	State of Michigan	09/30/05	5,475
Beach Monitoring Grant	66.472	State of Michigan	09/30/05	14,290
<i>Environmental Protection Agency total</i>				22,882

HURON COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Program Name	CFDA#	Pass-through Agency	Year	Federal Expenditures
U.S. Dept. of Health and Human Services				
Family Planning - Services	93.217	Michigan Dept. of Public Health	09/30/05	\$ 41,616
Immunization Programs	93.268	Michigan Dept. of Public Health	09/30/05	135,460
Chronic Disease and Health Prevention - Wise Woman Program	93.283	Michigan Dept. of Public Health	09/30/05	30,125
Chronic Disease and Health Prevention - Bioterrorism Supplemental	93.283	Michigan Dept. of Public Health	09/30/05	178,919
	93.283 total			209,044
Temporary Assistance for Needy Families	93.558	Michigan Dept. of Public Health	09/30/05	12,756
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/05	138,769
IV-D Friend of the Court CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	48,550
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/04	9,181
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/05	19,285
IV-D Friend of the Court CRP-Child Support Incentive	93.563	Michigan Family Independence Agency	09/30/06	9,457
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/05	18,224
IV-D Prosecuting Attorney CRP-Child Support Enforcement	93.563	Michigan Family Independence Agency	09/30/06	5,136
	93.563 total			248,602
Medical Assistance program- Case management services	93.778	Michigan Dept. of Public Health	09/30/05	4,876
Breast and Cervical Cancer	93.919	Michigan Dept. of Public Health	09/30/05	166,100
Maternal & Child Health Svcs Block Grt - Immunizations	93.994	Michigan Dept. of Public Health	09/30/05	5,756
Maternal & Child Health Svcs Block Grt - Family Planning	93.994	Michigan Dept. of Public Health	09/30/05	8,659
Maternal & Child Health Svcs Block Grt - Maternal Infant Support	93.994	Michigan Dept. of Public Health	09/30/05	24,040
Maternal & Child Health Svcs Block Grt - CSHCS	93.994	Michigan Dept. of Public Health	09/30/05	11,919
	93.994 total			50,374
Strong Families/Safe Children	93.556	Michigan Dept. of Human Services		24,659
<i>U.S. Dept. of Health and Human Services total</i>				893,487
Department of Transportation				
Interagency Hazardous Materials Public Sector Training and Planning	20.703	Michigan State Police		651
<i>Department of Transportation total</i>				651

HURON COUNTY, MICHIGAN**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005**

<u>Federal Grantor/Program Name</u>	<u>CFDA#</u>	<u>Pass-through Agency</u>	<u>Year</u>	<u>Federal Expenditures</u>
Department of Homeland Security				
Emergency Management Performance Grant	97.042	Michigan State Police	09/30/04	\$ 197
2004 Law Enforcement Terrorism Prevention Program (LETPP)	97.074	Michigan State Police	09/30/05	50,195
Homeland Security Grant Program - Emergency Services	97.067	Michigan State Police	09/30/05	13,271
2004 Homeland Security Grant Program - Equipment	97.067	Michigan State Police	09/30/05	130,909
2004 Homeland Security Grant Program - Planning	97.067	Michigan State Police	09/30/05	26,160
	97.067 total			170,340
Emergency Management Part II	97.004	Michigan State Police	09/30/04	629
2003 Homeland Security Part II - Planning	97.004	Michigan State Police	09/30/04	10,464
2003 State Homeland Security Program (SHSP) - Exercise	97.004	Michigan State Police	09/30/04	10,921
	97.004 total			22,014
<i>Department of Homeland Security total</i>				242,746
Grand total				<u><u>\$1,605,801</u></u>

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Huron County were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Huron County, expresses an unqualified opinion.
6. The auditor's report disclosed no instances of findings relative to the major federal award programs.

7. The programs tested as major federal award programs included:

<u>Program</u>	<u>CFDA #</u>
Chronic Disease and Health Prevention – Wise Woman Program	93.283
Chronic Disease and Health Prevention – Bioterrorism Supplemental	93.283
2004 Law Enforcement Terrorism Prevention Program (LETPP)	97.074
Homeland Security Grant Program - Emergency Services	97.067
2004 Homeland Security Grant Program - Equipment	97.067
2004 Homeland Security Grant Program – Planning	97.067
Emergency Management Part II	97.004
2003 Homeland Security Part II – Planning	97.004
2003 State Homeland Security Program (SHSP) - Exercise	97.004

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Huron County did qualify as a low risk auditee.

B. Findings - Financial Statements Audit

There were no findings relating to the financial statements which are required to be reported under generally accepted government auditing standards.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

There were no findings or questioned costs related to the major federal award programs for the year ended December 31, 2005.

D. Summary Schedule of Prior Audit Findings

No prior audit findings.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron County and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Subrecipients

Huron County provided awards to subrecipients as presented below. These amounts are included in the federal expenditures in the schedule.

<u>Program Title</u>	<u>Amount Provided Federal CFDA #</u>	<u>to Subrecipient</u>
Housing Rehabilitation	14.228	\$279,558

3. Reconciliation to financial statementsReconciliation to financial statements

Federal revenue reported in combined financials:	
Governmental funds	\$ 1,528,780
Huron Transit - Proprietary funds	589,901
EDC - Discretely presented component unit	24,366
Road Commission - Discretely presented component unit	680,939
DPW - Discretely presented component unit	
Loan funds considered assistance	<u>2,528</u>
Subtotal	2,826,514
Less funds in above data audited by other auditors:	
Huron Transit	(589,901)
Road Commission	<u>(680,939)</u>
Subtotal	(1,270,840)
Less adjustment of federal content	21,025
Grant funds earned but received after 60 days	<u>29,102</u>
	<u>50,127</u>
Federal revenue per schedule of federal awards	<u><u>\$ 1,605,801</u></u>

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

P.O. Box 326

Bad Axe, MI 48413-0326

Phone: (989) 269-9541 • FAX: (989) 269-6777

Bruce Hill
Donald Kuzak
Michael Doerr

May 25, 2006

Board of Commissioners
Huron County, Michigan

We have audited the financial statements of Huron County for the year ended December 31, 2005, and have issued our report thereon dated May 25, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Huron County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Huron County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Huron County are described in the County's financial statements.

We noted no transactions entered into by Huron County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Huron County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by Huron County, either individual or in the aggregate, indicate matters that could have a significant effect on Huron County's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Commissioners and management of Huron County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Hyzer, Hill, Kuzak & Co., P. C.